



Rialtas na hÉireann
Government of Ireland

Ireland's National IP Protocol 2019

A Framework For Successful
Research Commercialisation

Policies and resources to help industry
and entrepreneurs make good use of
public research in Ireland

Prepared on behalf of the Department of
Business, Enterprise and Innovation

Foreward

As a country we have a shared vision of Ireland becoming a global innovation leader, driving a strong, sustainable economy and a society that enjoys a good quality of life. Research and development contribute to this goal, as set out in the Government's strategy for research, development, science and technology "Innovation 2020". We want our education system to be the best in Europe. Knowledge transfer, including commercialisation, is a key mission of our higher education institutions and is important to delivering on this ambition. Ireland has invested significantly in building its research capacity in strategic areas allied to industry needs. We have invested in human capital, in top quality researchers and in physical research infrastructure. We have a system-wide approach to research commercialisation and to the people who deliver it – researchers, entrepreneurs, R&D leaders in business and the Technology Transfer Offices. We have a clear national policy for research commercialisation, as set out in this national Protocol, that aims to maximise the economic and societal benefits and returns to Ireland from its public investment in research and encourages our universities and research institutes to make commercialisation decisions that support this intent.

The national IP Protocol sets out the Government's policies to encourage industry to benefit from publicly-funded research and describes the practical arrangements for this to happen. It serves to encourage innovation from Irish research and the commercialisation of all forms of intellectual property arising from the publicly-funded research sector. The Government's objective for the IP Protocol is to support all enterprises from newly emerging spin-out companies through small businesses to multinationals to engage with publicly-funded research and its outputs with ease and certainty. The protocol creates a mutually beneficial environment in which enterprise, entrepreneurs and researchers can access and share knowledge, expertise, technology and IP. This in turn supports innovation in products, services and processes leading to more competitive companies able to scale and grow, and to deliver products and services for the global marketplace.

This latest update to the national IP Protocol now includes a framework for spin-out company creation. Drafting has been led on behalf of the Department of Business, Enterprise and Innovation by Knowledge Transfer Ireland (KTI), informed by consultation with people working at the industry-research interface. This includes entrepreneurs and company founders, the venture capital community, Research Performing Organisations (RPOs), Technology Transfer Offices (TTOs), the enterprise agencies, State research funding organisations, the Higher Education Authority, the Irish Universities Association (IUA) and the Technical Higher Education Association (THEA). We would like to thank all those who contributed to shaping this new text. Through KTI, there is now a wide range of publicly available resources to make the process of engagement with RPOs clear and swift.

This third iteration of the Protocol reflects our commitment to ensuring that the knowledge transfer system continues to be agile and responsive to change and growth in both enterprise and research.

Heather Humphreys TD

Minister for Business, Enterprise and Innovation

John Halligan TD

Minister of State for Training, Skills, Innovation,
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Introduction

Ireland's research and innovation strategy actively supports research that has impact for the economy and society. It promotes close working relationships between industry and the public research system and encourages the delivery of research outputs with commercial potential, realised through licensing and spin-out company creation. It aims to provide a world-leading environment in which industry and entrepreneurs – both local and from abroad – enthusiastically use Irish public research for discovery and innovation.

This is the latest version of the IP Protocol, updated to include a chapter on spin-out company formation in addition to chapters on intellectual property, licensing and research collaboration¹. It is about helping industry, from start-ups and small and medium enterprises to multinational corporations, entrepreneurs and investors to access the research and development carried out in Ireland's universities, institutes of technology and other public research institutions (collectively termed 'Research Performing Organisations' or RPOs²). It sets out the Government's policy for research commercialisation and describes the practical arrangements for this to happen. The IP Protocol also sets expectations – on RPOs and on parties wishing to engage with RPOs.

Knowledge Transfer Ireland (KTI, the national office responsible for oversight of the knowledge transfer system) is responsible for developing and updating the IP Protocol. This process is informed by practice and is based on extensive consultation with people involved across the ecosystem in the commercialisation of research in Ireland.

The Protocol is complemented by a suite of Model Agreements and associated Practical Guides which can be used as a starting point for drafting and negotiating the contracts that underpin commercial arrangements between industry, entrepreneurs, investors and the research base.

More information about how to work with the research base in Ireland, including information on research, expertise, available IP and funding supports for research, development and innovation can be found at www.knowledgetransferireland.com. Template Model Agreements, are available to download from www.knowledgetransferireland.com/Model-Agreements.

Throughout this document, the following words have the following meanings:

- "shall" is a mandatory principle that may not be varied by negotiation. Those principles which are mandatory are highlighted throughout this document.
- "should" implies good practice that will normally be followed. Industry and RPOs are free to adopt a different approach where this is in the best interests of successful relationships and research commercialisation.
- "may" implies a practice that the party concerned can follow if it chooses.

¹ The National IP Protocol was first published in 2012 and updated in 2016 <http://www.knowledgetransferireland.ie/Reports-Publications>

² Any organisation that performs research and development funded at least in part by the State Please see Appendix A for a more complete definition of the term RPO.

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01

Policy

- 1 Ireland aims to provide an exemplary innovation ecosystem that creates economic and societal benefits. This includes the promotion of entrepreneurship, high potential start-ups and job creation by new and established firms. An essential condition for this is a user-friendly system that enables industry and the public research sector to work well together and which encourages the commercialisation of all forms of Intellectual Property ('IP') arising from publicly funded research.
- 2 In encouraging industry and RPOs to work together, the State's aims are:
 - For Ireland and its centres of research excellence to be the partner of choice and to be optimally attractive for industry to engage with the academic community in research programmes.
 - For such programmes to assist enterprises in researching, developing, validating and testing new technologies/products/platforms in ways that will lead to commercialisable assets.
 - To deepen industry's R&D base in Ireland.
 - To engage Ireland's SMEs in innovation to ensure their long-term sustainability.
 - To grow and develop the research excellence and expertise of Ireland's academic research community.
 - Ultimately to deliver a return to the Irish economy, aligned to evolving national priorities.
- 3 Where commercially exploitable IP arises as a result of State funding for research and development, the opportunity shall be taken to commercialise the IP in all possible fields, applications and territories where it is consistent with achieving Ireland's objectives.
- 4 The purpose of this commercialisation, from Ireland's point of view, is to maximise the economic and societal benefits and returns to Ireland from its public investment in research.
- 5 The primary objective of commercialisation is the creation of sustainable jobs in Ireland, this is the most important form of economic and societal benefit.
- 6 Where the potential for job creation in Ireland is limited or non-existent, the aim is commercialisation elsewhere that will lead to wealth flows and benefits to Ireland.
- 7 All enterprises, from start-ups and small and medium enterprises ('SMEs') to multi-national corporations, can easily access this IP. Companies and research performers should be able to access and exploit IP quickly, on terms that provide fair value to all parties, and in ways that are predictable and consistent from one negotiation to the next.
- 8 Commercialisation shall also, as far as possible without compromising these policy statements, benefit the Higher Education Institutions and State Funded Research Organisations ("Research Performing Organisations", RPOs) and provide incentives to the researchers involved in creating the IP. These benefits include not only opportunities for RPOs to share financial rewards but also the promotion of greater industry involvement in RPO research, leading to new research programmes, increased funding for RPOs and the stimulus of greater industry interaction for individual researchers.
- 9 All those involved in commercialisation of IP, RPOs and industry alike, should seek to build networks of long term knowledge sharing relationships, reflecting the ecosystem nature of innovation.
- 10 Where there are opportunities to commercialise the IP arising from RPO research, then all parties shall pursue commercialisation of that IP in a timely manner.

- 11 RPOs shall pursue commercialisation, keeping in mind the objective to create economic and societal benefit for Ireland through the creation of sustainable jobs. This can be achieved in a number of ways, including:
- Creating licensing opportunities for all types of enterprise, thereby creating employment and a more competitive and sustainable economy in Ireland.
 - Supporting the creation of spin out companies, with the potential for job creation in Ireland.
 - Attracting and maintaining foreign direct investment in Ireland, with its potential for economic growth and job creation.
- 12 In some situations, RPOs will need to decide which of these three mechanisms takes precedence, making informed judgments about which specific approach will maximise overall economic and societal benefits for Ireland.
- 13 RPOs shall aim to maximise the benefits of commercialisation to Ireland rather than focusing exclusively on the benefits to the RPO. They should build relationships with industry that will support a sustainable flow of commercialisation outputs, rather than seeking to maximise the returns from individual transactions.
- 14 RPOs shall have published policies and procedures in place that are publicly available and enable them, to the extent that is reasonable, to give industry an acceptable and consistent level of confidence around the management of IP arising from their research. These policies and procedures shall include arrangements for good planning, governance and execution of research programmes and publications including the management and commercialisation of IP.

1.1 Implementation of the IP Protocol

- 15 In support of this policy, the Frameworks that follow in Chapter 2-4, provide detailed requirements, guidelines and procedures for research commercialisation in line with this policy.
- 16 Where research is funded by the State or owned by the State, it should benefit the State. It therefore follows that all RPOs shall:
- Apply this Policy and the Frameworks in Chapters 2-4, to ensure consistency and predictability of approach.
 - Within the requirements of this Policy and of the Frameworks, be flexible in negotiating individual commercialisation agreements, in order to obtain the best result for all parties.
 - Have procedures in place to ensure their staff, contractors, consultants and students understand the principles of this policy, the options available for commercialising IP arising from their research, and the benefits of commercialisation.
 - Have arrangements in place to enable them to meet these requirements.
- 17 The State research funding organisations have diverse objectives for their research funding, reflecting their differing missions. However, all these organisations share a common interest in commercialising IP arising from the research they fund whenever this is possible, and, accordingly, shall implement this policy.
- 18 Knowledge Transfer Ireland (KTI) has responsibility for setting direction for RPO best practice to enable compliance with the policy and procedures set out in this document and a consistent interpretation and adoption of the policy and procedures by the State research funding organisations.



02

Framework for Collaborative Research

- 19 This chapter sets out the standards for all industry-RPO negotiations of Collaborative Research contracts, so as to support speed, consistency and predictability of outcomes in the negotiation process. It describes how industry can benefit from access to IP arising from Collaborative Research undertaken with an RPO which is funded wholly or in part by the company, and how it can also access IP where it has had no research involvement with the RPO.
- 20 In this chapter what is mandatory and what is not is described. It is appropriate, in some situations, that there is a degree of flexibility, so that the parties can negotiate the most pragmatic agreement. This approach recognises differing sectoral characteristics and the different forms which IP may take. This chapter does not aim to discuss legal concepts of the factors influencing decisions taken in IP management in every detail and, in particular, is not a comprehensive treatment of all legal issues.
- 21 The principles for industry/RPO research engagement cover the different types of research to which access is given by industry and the RPOs to industry which are:
- **Wholly State-funded Research:** This is where a State research funding organisation has paid 100% of the costs of the research.
 - **Collaborative Research: Wholly Industry Funded:** This is where the industry party has a specific need and where it meets the full economic cost of carrying out the programme of work.
 - **Collaborative Research: Part Industry Funded:** This is where an industry party partially funds and works with an RPO on a programme of mutual interest. There will be an element of State research funding meeting part of the cost of the programme of research. This type of Collaborative Research may involve two or more parties as follows:
 - **Bilateral Collaborative Research: Part Industry Funded:** one industry party works with one RPO.
 - **Multi-Party or Consortium-Based Collaborative Research: Part Industry Funded:** several industry parties and RPO(s) working together.
- 2.1 Principles applicable to research funded 100% by the State**
- 22 This chapter also describes the access to IP in different types of research setting in more detail:
- Research wholly funded by the State – see 2.4
 - Collaborative Research: Wholly Industry Funded – see 2.5
 - Collaborative Research: Part Industry Funded – see 2.6
- 23 It also discusses at 2.7:
- Obligations on RPOs and industry parties participating in Collaborative Research
 - The costs and contributions towards research
- 24 The IP Protocol Resource Guide provides links to all supporting documents and contracts which include:
- Template Model Collaborative Research Agreements that may be used as the basis for industry-RPO contracts.
 - A Decision Guide which assists in selection of the appropriate template to use and which also explain essential elements of the contracts.
 - Template Model Licence Agreements and Practical Guides that support their use, which cover a variety of IP-types and exclusive and non-exclusive arrangements.
- See also www.knowledgetransferireland.com/Model-Agreements/Catalogue-of-Model-Agreements.
- 25 Irish law should govern all RPO contracts relating to Collaborative Research and the exploitation or Commercialisation of associated IP owned or created by the RPOs including any IP licences or IP assignments.

- 26 When research by an RPO is wholly funded by the State, the RPO shall own any IP arising from the research. The RPO shall then be free to negotiate arrangements for other organisations to access the IP to maximise the benefits of commercialisation for Ireland.
- 27 The RPO shall be free to publish the results of its research, provided it first follows the procedures in place within the RPO to ensure, where appropriate, IP is properly protected before anything related to that IP is published.
- 28 Access by industry to IP owned by an RPO will normally be by the granting of licence(s) on fair commercial terms by the RPO on an exclusive or non-exclusive basis requiring that:
- The licensee(s) shall pursue commercialisation of that IP in a timely manner; and
 - The licensee(s) shall acknowledge and agree that the RPO shall be free to use the IP to continue its research and teaching in any field covered by the licence to the licensee.
- 29 In exceptional circumstances, an RPO may agree to transfer or assign ownership of its IP, subject to compliance with EU State Aid obligations and to the assignment being consistent to this policy's objectives. For more information on EU State Aid, see Chapter 6.

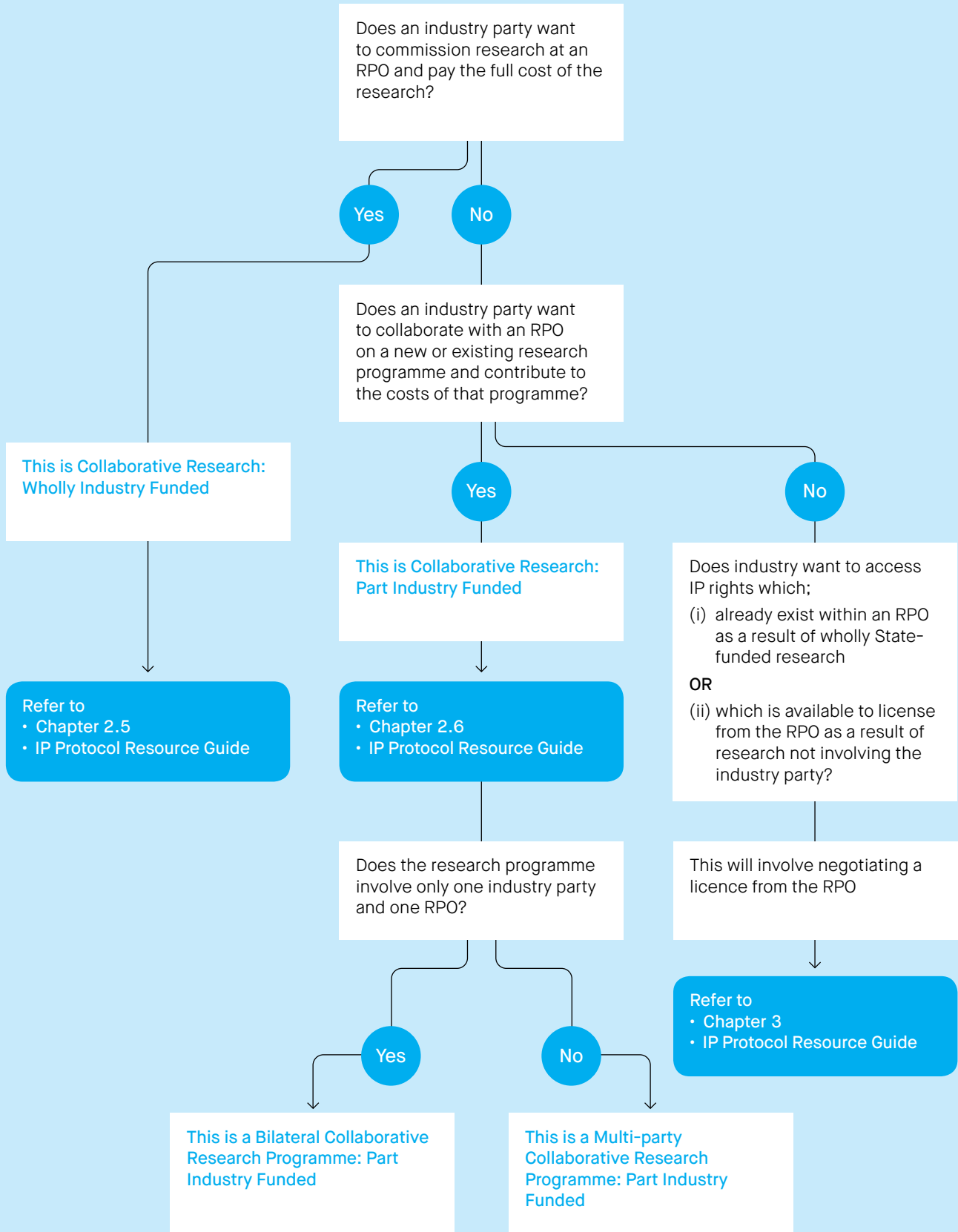
2.2 Principles applicable to research funded 100% by industry

- 30 When the full economic cost of research by an RPO is wholly funded by industry, the industry party shall be entitled to a non-exclusive royalty free (NERF) licence, an exclusive licence or an assignment of any IP arising from the research programme.
- 31 Where an exclusive licence or assignment of any IP arising from the research programme is agreed, the RPO may request access to this IP for teaching and research purposes and the industry party shall give due consideration to this request.

2.3 Principles applicable to research funded partly by industry and partly by the State

- 32 Industry parties who contribute to the cost of a research programme that is partially funded by the State shall be entitled to benefit from the IP arising in that programme by way of a licence. Such a licence shall contain, or be consistent with, the following principles:
- The licensee(s) shall pursue commercialisation of that IP in a timely manner.
 - Licences shall be granted on fair and reasonable commercial terms (subject to compliance with EU State Aid obligations) which provide opportunities for economic and societal benefits for Ireland.
 - Where the RPO licenses the IP to an industry party, the RPO shall retain the right to use that IP for its research and teaching.
 - The RPO shall be free to publish results of the research programme, including those that relate to the IP, provided it first follows an agreed process to notify the industry party of its intention to publish and to agree any restrictions on publication.
- 33 An industry party shall be entitled to negotiate an exclusive licence or assignment rights to specific improvements to certain Background IP or other proprietary assets which that industry party has introduced to the programme.
- 34 In certain situations a Non-Exclusive Royalty Free (NERF) licence of IP created during a research programme may be negotiated, subject to compliance with EU State Aid obligations.
- 35 In exceptional circumstances, RPOs may agree to transfer or assign ownership of its IP to the industry parties subject to compliance with EU State Aid obligations.
- 36 IP that is jointly owned by an industry party and an RPO involves complex management arrangements and should be avoided.
- 37 For more information on EU State Aid, see Chapter 6.

Figure 1 - Template documents supporting the National IP Management Requirements



2.4 Access to IP in wholly State funded research

- 38 This section applies when an industry party seeks access to IP that has arisen from past or current research by an RPO which was or is wholly funded by the State.
- 39 It is helpful to read this Chapter 2.4 in conjunction with other parts of this Framework, particularly:
- Chapter 2.7 – Further considerations in Collaborative Research
 - Chapter 3 – Framework for IP licensing
 - Chapter 5 - National IP Management Requirements
 - Chapter 6 – Considerations of EU regulations relating to research, development and innovation with RPOs
- 40 When research by an RPO is wholly funded by the State, the RPO shall own any IP arising from its research. The RPO shall then be free to negotiate arrangements for other organisations to access the IP in order to maximise the benefits of knowledge transfer and commercialisation for Ireland.
- 41 Access to IP owned by an RPO created in Wholly State-funded research will be by way of the granting of exclusive and/or non-exclusive IP licence(s) by the RPO on fair commercial terms.
- 42 While an RPO will not normally consider assigning ownership of its IP, it may in exceptional circumstances once IP has been created, agree to transfer or assign ownership of the IP, provided that it receives fair value in return, is able to continue its research and teaching in the field, and satisfies itself that the assignment is the best route to generate maximum benefit for Ireland.
- 43 Notwithstanding the provisions of this section, special provisions applicable to IP may apply in situations where one of the explicit objectives of the State funding was or is to generate research outputs that can be preserved for sharing and informed use, beyond the originating research team and RPO, by the scientific or academic community and/or for policy and practice purposes. Publicly funded research outputs within this description might include anonymised datasets from population and patient based studies; genotypic and phenotypic information; samples linked to cohort and population surveys and broadly enabling research tools.
- 44 When the State research funding organisation expects such datasets and samples to have Unrestricted Availability or be Independently Available, this will be stated in the contract under which it awards funding for the research to the RPO. In such cases, access should be without unreasonable restrictions so as to enable wide scientific and public benefit. Licences granted to individual industry parties should not compromise this access model.

2.5 Access to IP in Collaborative Research wholly funded by industry

- 45 This Section applies when an industry party commissions an RPO to carry out research on its behalf and pays the full economic cost of that research.
- 46 It is helpful to read this Section in conjunction with other parts of this Protocol, particularly:
- Chapter 2.7 - Further considerations in Collaborative Research
 - Chapter 3 - Framework for IP licensing
 - Chapter 5 - National IP Management Requirements
 - Chapter 6 - Considerations of EU regulations relating to research, development and innovation with RPOs
- 47 A Collaborative Research Agreement shall be negotiated and signed by both parties prior to the work commencing. A Collaborative Research Agreement template, covering this full industry funding situation, can be found on the KTI website www.knowledgetransferireland.com/Model-Agreements/Catalogue-of-Model-Agreements

- 48 The Collaborative Research Agreement should include the terms and conditions that relate to:
- Details of the research programme and who will carry it out (Programme Plan).
 - Mechanisms for the identification and protection of IP developed during the programme.
 - Management of IP, including payment of associated costs.
 - Licensing and/or assignment of IP arising in performance of the programme (often called "Foreground IP").
 - Licensing of pre-existing IP introduced into the collaboration and owned or licensed by the RPO and/or the industry party (usually called "Background IP").
 - Publication of research results.
 - Management and oversight of the programme of research.
- 49 The industry party shall be entitled to the following rights to the Foreground IP:
- Assignment
 - Exclusive licence
 - Non-exclusive royalty free (NERF) licence
- 50 Even in the case of an exclusive licence of IP, or an assignment of IP, the RPO retains the option to negotiate access to the Foreground IP to use it for teaching and research purposes and the industry party shall give due consideration to this request.
- 51 As Background IP may be required to carry out a Collaborative Research Programme, a party which introduces its Background IP into such a programme should grant to the other party a non-exclusive royalty-free licence to use that Background IP for the sole purposes of, and to the extent necessary, to carry out its work on the programme.
- 52 As Background IP may be required in the future for the Commercialisation of IP arising from a Collaborative Research Programme, any Background IP to be introduced into the programme by a party shall be detailed in the Collaborative Research Agreement.
- 53 The introducing party shall state in writing whether its Background IP will be available for license by the other party at end of programme and whether there are any restrictions attached to the use of that Background IP.
- 54 Where an RPO confirms at the time it introduces Background IP, that the Background IP is available for use or commercialisation by the industry party after the end of the programme, it will not, until the expiry of the programme, enter into any contracts which would further limit its ability to grant those access rights to that Background IP which have been offered without the industry party's consent.
- 55 Prior to contractually agreeing to introduce Background IP to a research programme the RPO will need to consider whether committing such Background IP into a programme is essential to that programme and, if not, whether introduction is likely to prevent or delay alternative commercialisation of the Background IP, bearing in mind the objective to deliver optimum social and economic benefit to Ireland.
- 56 Where any RPO Background IP is so confirmed as being available for use by an industry party after the end of the research programme, then the industry party(s) shall have a right to negotiate a non-exclusive licence to this Background IP. This licence:
- Will only be for the purposes of, and to the extent required to, commercialise the IP arising from the programme
 - Will be on such terms and conditions as would be found in a usual arm's length commercial licence, to be agreed between the parties in good faith.
- 57 In exceptional circumstances, the industry party may have a right to negotiate an exclusive licence to Background IP, subject to compliance with EU State Aid obligations, if the RPO agrees this at the time it commits to introduce the Background IP to the programme.
- 58 Notwithstanding the provisions in the preceding paragraphs an RPO shall retain its rights in respect of Non-Severable Improvements to any Significant Background which the RPO has introduced to the programme, unless agreed otherwise.

2.6 Access to IP in Collaborative Research partially funded by industry

- 59 This section describes how industry can benefit from access to IP where it is partially funding a programme of Collaborative Research at an RPO. It applies when one or more industry parties and one or more RPOs are working together in a Collaborative Research Programme that is funded partly by the State and partly (in cash and/or in kind, including participation in the research itself) by the industry party (parties).
- 60 It is helpful to read this Section in conjunction with other parts of this Chapter, particularly:
- Chapter 2.7 – Further considerations in Collaborative Research
 - Chapter 3 – Framework for IP licensing
 - Chapter 5 - National IP Management Requirements
 - Chapter 6 – Considerations of EU regulations relating to research, development and innovation with RPOs
- 61 A Collaborative Research Agreement, shall be negotiated and signed by the parties prior to the commencement of the Collaborative Research Programme. A template covering this situation can be found on the KTI website www.knowledgetransferireland.com/Model-Agreements/Catalogue-of-Model-Agreements
- 62 RPOs, industry parties and State research funding organisations shall meet their obligations in Collaborative Research Agreements to ensure the effective and timely commercialisation of IP.
- 63 As a prelude to negotiating a Collaborative Research Agreement, the parties may negotiate and agree a non-binding Term Sheet that defines the core terms relating to the programme, and upon which the detailed Collaborative Research Agreement will be based. In some cases, State research funding organisations may make the signature of a Term Sheet addressing certain key topics a requirement of grant of funding.
- 64 Where a State research funding organisation permits commencement of a Collaborative Research Programme on the basis of a signed Term Sheet, the RPO and industry party should aim to convert all terms agreed between them into a fully executed binding Collaborative Research Agreement within 90 working days following the date on which the first part of the funding awarded by the State research funding organisation is drawn down.
- 65 The Collaborative Research Agreement shall include terms and conditions that address:
- Details of the programme and who will carry it out (Programme Plan).
 - Mechanisms for the identification and protection of IP developed during the programme.
 - Management of IP, including payment of associated costs.
 - Licensing of IP arising in the performance of the programme (often called "Foreground IP").
 - Licensing of pre-existing IP introduced into the collaboration and owned or licensed by the RPO and/or industry party (usually called "Background IP").
 - Licensing of industry introduced Background IP where necessary to allow exploitation of Foreground IP by the RPO.
 - Publication of research results.
 - Management and oversight of the programme.
- 66 The Collaborative Research Agreement shall comply with the mandatory principles regarding professional IP management, as described in further detail in the IP Protocol Resource Guide at Section I National IP Management Requirements.

- 67 Before the research programme starts, the parties should discuss in confidence the different exploitation routes and the associated issues of commercialisation, risk and appropriate rewards. They should agree arrangements for IP access by each of the parties that are appropriate to the specific collaboration and that will allow exploitation to be maximised. This should take into account such matters as what each party is bringing into the collaboration, what rights will be essential to allow a party to commercialise results, what rights are desirable or where freedom to operate is more important than obtaining exclusivity. It is reasonable to expect that rights to Foreground IP may be divided up according to core business interests of the parties – industry and the RPO.

2.6.1 Intellectual Property

- 68 The industry party shall be entitled to negotiate and conclude a licence to Foreground IP on fair commercial terms, within a pre-agreed period (such as six months) starting on the date on which the RPO formally notifies the industry party of the creation of the IP. After this time if a licence is not concluded, the RPO shall be free to negotiate arrangements for other organisations to access the IP in order to maximise the benefits of Commercialisation for Ireland.
- 69 Licences to IP arising from Collaborative Research shall be granted by the RPO to the industry party subject to the industry party making at least the minimum contribution to the cost of the research programme. The minimum contribution shall be determined by the State research funding organisation (see 2.7.3. Costs and Contributions towards Research).
- 70 Choosing the form of IP licence shall be based upon legitimate academic and business considerations of the parties giving due regard to this Policy. The form of IP licence that applies during and after the research programme should ideally be identified and agreed by the parties before the programme starts and before the Collaborative Research related agreement is entered into.
- 71 In some situations, a non-exclusive royalty free (NERF) licence to Foreground IP may be granted by the RPO to the industry party following completion of the research programme, subject to compliance with EU State Aid obligations. This is subject to the industry party contributing minimum amount (see 2.7.3. Costs and Contributions towards Research).
- 72 There are two ways in which a NERF licence should be made available:
- When negotiating the Collaborative Research Agreement the parties may agree that the industry party may have a right following completion of the research programme to a NERF licence to use the Foreground IP arising from the programme in which the industry party is involved, for defined purposes, fields and/or territories. Such a licence will not provide access to any other RPO IP. The parties may make separate arrangements for access to other IP (such as Background IP required to use the Foreground IP).
 - During the programme and within six months following the RPO notification to the industry party that Foreground IP has been created, the industry party may be granted a NERF licence for use of this Foreground IP for defined purposes, fields and/or territories. During this six month period or until such a licence is granted or until the industry party declares its intention not to apply for such a licence, whichever occurs first, the RPO shall not enter into any contracts which would limit its ability to grant to the industry party such a licence in the field. After the end of the six month period, the industry party may still apply for a NERF licence at any time but the grant of such a licence shall be at the discretion of the RPO.

Example of when a NERF licence might be appropriate:

During a targeted Collaborative Research project between a multinational ICT company and a university, IP was created. In this case, copyright in computer software. Under the terms of the Collaborative Research Agreement, the company had the option to request a NERF and to negotiate an exclusive royalty bearing licence. The company chose the NERF right as this satisfied its business needs by providing freedom to operate. The university was able to pursue additional licence opportunities in areas where there were several potential licensees.

- 73 While an RPO will not normally consider assigning ownership of its IP, it may in exceptional circumstances, once Foreground IP has been created, agree to transfer or assign ownership of the Foreground IP, provided that it receives fair value in return, is able to continue its research and teaching in the field, and satisfies itself that the assignee is in a position to commercialise the IP for the benefit of Ireland.
- 74 Notwithstanding the provisions in the preceding paragraphs an industry party shall have the right to negotiate the assignment of Non-Severable Improvements to any Significant Background which that industry party has introduced to the programme. This includes situations in which an industry party may introduce a proprietary confidential asset into a Collaborative Research Programme as Background IP. The question of whether any particular Foreground IP constitutes a Non-Severable Improvement to any Significant Background will be agreed by the parties and will usually be determined by the proprietary nature of the Significant Background.
- 75 As Background IP may be required to carry out a Collaborative Research Programme, a party which introduces its Background IP into such a programme should grant to the other party a non-exclusive royalty-free licence to use that Background IP for the sole purposes of, and to the extent necessary, to carry out its work on the programme.
- 76 As Background IP may be required in the future for the commercialisation of IP arising from a Collaborative Research Programme, any Background IP to be introduced into the Programme, by a party, shall be detailed in the Collaborative Research Agreement.
- 77 The introducing party shall state in writing any restrictions attaching to the use of that Background IP, including any restrictions on its use by a party after the end of the research programme.
- 78 Where an RPO confirms at the time it introduces Background IP that the Background IP is available for use or commercialisation by the industry party after the end of the Programme, it will not, until the expiry of the research programme, enter into any contracts which would further limit its ability to grant those access rights which have been offered without the industry party's consent.
- 79 Prior to contractually agreeing to introduce Background IP to a research programme the RPO will need to consider whether committing such Background IP into a programme is essential to the programme and, if not, whether introduction is likely to prevent or delay alternative Commercialisation of the Background IP bearing in mind the objective to deliver optimum social and economic benefit to Ireland.
- 80 Where any RPO Background IP is so confirmed as being available for use by the industry parties after the end of the programme, then the industry parties(s) shall have a right to negotiate a non-exclusive licence to this Background IP. This licence:
- Will only be for the purposes of, and to the extent required to, commercialise the IP arising from the research programme.
 - Will be on such terms and conditions as would be found in a usual arm's length commercial licence, to be agreed between the parties in good faith.
- 81 In exceptional circumstances, the industry party may have a right to negotiate an exclusive licence to Background IP, subject to compliance with EU State Aid obligations, if the RPO agrees this at the time it commits to introduce the Background IP to the Programme.
- 82 Notwithstanding the provisions in the preceding paragraphs an RPO shall retain its rights in respect of Non-Severable Improvements to any Significant Background which the RPO has introduced to the research programme, unless agreed otherwise.

2.6.2 Programme Plan

- 83 The Programme Plan should include all the technical aspects of the research programme and the deliverables.
- 84 If the parties wish to make substantial changes to the Programme Plan, they shall request prior agreement from the State research funding organisation. Such approval shall be considered within thirty days of request and not unreasonably withheld or delayed.
- 85 The relevant parties should receive payments on a schedule agreed with the State research funding organisation. Payments will be linked to achievement of the milestones in the Programme Plan and to compliance with the funding contract.
- 86 The parties should be aware that the State research funding organisation may terminate the funding for a Collaborative Research Programme or terminate a parties' involvement in the programme in the event of:
- A failure to meet programme milestones contained in the funding contract.
 - Any other material breach of the contract under which the State research funding organisations providing funding for the programme, which cannot be remedied within a timescale acceptable to the State research funding organisation notifying the RPO of the breach.
 - Any material breach of any other contract signed by the parties in respect of the research programme.
- 87 A Programme Plan template can be found on the KTI website at www.knowledgetransferireland.com/Model-Agreements/Catalogue-of-Model-Agreements

2.6.3 Publication rights

- 88 The ability of RPOs to further their mission of teaching and research and to maintain an open academic environment that fosters intellectual creativity is important. Publication of research results is often a condition imposed by non-commercial funding bodies.
- 89 Publication of results from research collaboration aided by funding from State research funding organisations enables compliance with State Aid legislation.
- 90 In principle, RPOs may publish results from a Collaborative Research Programme including those relating to Foreground IP. However, premature publication may disclose confidential, proprietary and/or commercially sensitive information and either prevent the further protection of any IP arising from the research programme or prevent the value and benefit of Foreground IP from being maximised. The Collaborative Research Agreement shall contain clauses that detail how publication of Foreground IP and related information shall be handled by the parties.
- 91 Each party intending to publish shall submit the proposed publication to the other party before submitting it for publication.
- 92 The parties may agree to set up a publications review committee to manage the process of giving permission to publish Foreground IP and related information arising from the Collaborative Research Programme.
- 93 Review times shall be 30 calendar days from submission of the proposed publication to the Publications Review Committee or the other party for permission, during which a party may object in writing to publication. In this event the party may withhold permission for up to 90 days from the date the proposed publication was submitted to them or until any affected IP is properly protected, whichever occurs first. If no written objection is received by the party intending to publish within the 30 days, then permission to publish shall be deemed to have been given.
- 94 RPOs shall have procedures in place to manage publication of Foreground IP, in line with the National IP Management Requirements summarised in the IP Protocol Resource Guide, Section I.

2.6.4 Governance arrangements

- 95 Successful collaborations are those that benefit every collaborating party and have due regard for each party's contributions, objectives and desired outcomes. It is important to establish consistent governance arrangements that can oversee day-to-day activities in Collaborative Research Programmes.
- 96 The parties should each appoint a single point of contact for the research programme to ensure day-to-day adherence to the direction and scope of the programme and simple communication between the parties. This programme management governance arrangement should be set out in the Collaborative Research Agreement. Clear lines of communication to the accountable individuals in both RPO and industry party should be established to ensure any unforeseen issues are dealt with.
- 97 Each party should develop appropriate delegations of authority, administrative guidelines and accountability measures to support their participation in Collaborative Research Programmes.

2.6.5 Additional Principles that apply to Multi-Party Collaboration Agreements

- 98 Multi-Party Collaborative Research is where more than two parties come together (e.g. one or more industry parties and one or more RPOs) in a Collaborative Research Programme that is funded partly by the State and partly (in cash and/or in kind, including participation in the research itself) by the industry party(s).
- 99 In addition to the conditions described in Sections 2.6.1–2.6.4, above, the following principles (100–105) apply:
- 100 To effectively manage the negotiation of the Multi-Party Collaborative Research Agreement, where there is more than one RPO party, the collaborating RPOs should appoint one of their number to be the Lead RPO. The Lead RPO should have authority to negotiate the terms and conditions associated with the Collaborative Research Programme on behalf of all RPOs involved, so that the industry party or parties only have to deal with one RPO. The parties in the collaboration should agree a dispute resolution mechanism for inclusion in the agreement addressing any matters needing resolution.
- 101 Multi-Party Collaborative Research Agreements must adequately and fairly address the interests and objectives of each of the collaborating parties. When negotiating to set up a new Collaborative Research Programme, the parties should make sure the proposed arrangements will benefit them all.
- 102 Co-exclusive licences to Foreground IP may be available to the industry parties.
- 103 The parties may agree that separate Bilateral Collaborative Research Agreements may exist within the Multi-Party collaboration. In this case, these agreements, between two of the parties to the research programme, shall deal with specific pieces of research, related to, but distinct from the rest of the programme. The agreements should include terms and conditions dealing with access to Background IP and Foreground IP relating to that piece of research specific only to the two parties involved.
- 104 In all Multi-Party Collaborative Research Agreements, a Programme Steering Committee should be established, involving representatives from all the parties in the collaboration.
- 105 The parties should set up a mechanism to review publications in order to manage the process of giving permission to any party's proposal to publish Foreground IP and related information arising from the Collaborative Research Programme. This should take the form of a Publications Review Committee or an IP Review Committee. This is particularly important in Multi-Party Collaborative Research, where clear processes and accountability and timely decision making is essential.

2.7 Further considerations in Collaborative Research

2.7.1 Obligations of each RPO participating in Collaborative Research

- 106 Each RPO shall ensure that it has entered into appropriate written agreements with its employees and non-employees (such as contractors, consultants and students) that grant it ownership of inventions and other IP arising from their work (as part of a research programme), while providing for appropriate recognition, incentives and reward for those involved.
- 107 Each RPO participating in a Collaborative Research Programme shall:
- Provide the resources which the Programme Plan says that it will use in implementing the Programme.
 - Carry out that part of the Programme allocated to it in the Programme Plan.
 - Comply fully with its IP management system (IP Protocol Resource Guide Section I) in respect of its activities under the Programme.
- Be responsible for the actions of all its employees and non-employees (such as consultants, contractors and students) involved in the Programme on behalf of the RPO and for any failure by them to comply with its IP management system or with any terms and conditions of the collaborate research contract.
- 108 The RPO, its researchers and students shall not be restricted from carrying out future research in the same area as that of the programme, provided that they comply at all times with the provisions of the RPO's IP management system and the terms of the Collaborative Research contract.
- 109 If the industry parties, or any other organisation, take a licence of or an assignment of the Foreground IP arising from the programme, the researchers should be required to give such assistance to the RPO and to the licensees/assignees as is reasonably necessary to enable the licensee (or assignee) properly to use and commercialise the IP, in accordance with the terms and conditions agreed in the Collaborative Research contract or related agreement.

2.7.2 Obligations of an industry party participating in Collaborative Research

- 110 Each industry party participating in a Collaborative Research Programme shall:
- Provide the contributions and other resources as set out in the Programme Plan.
 - Carry out that part of the programme allocated to it in the Programme Plan.
 - Be responsible for the actions of all its employees, sub-contractors and other non-employees (e.g. students) involved in the programme on its behalf and for any failure by them to comply with any terms of the Collaborative Research contract.
 - Not use any funding or IP from other sources in the programme which may have any terms or conditions attached which conflict with the terms (particularly IP terms) agreed with the RPO(s).
 - Comply with the other terms and conditions agreed with the RPO(s) in relation to IP used in or created as a result of the programme.

2.7.3 Costs and contributions towards research

- 111 Industry may add significant value to programmes through intellectual, cash, and/or in-kind contributions.
- 112 It is important to detail costs and contributions to research programmes. This determines the appropriate and fair access that an industry party should expect to research results and IP and has a bearing on the rights which can be conferred to the industry party under State Aid legislation.
- 113 The cost and contributions to a Collaborative Research Programme shall be set out in the Programme Plan (see Chapter 2.5 Access to IP in Collaborative Research wholly funded by industry and Chapter 2.6 Access to IP in Collaborative Research partially funded by industry and KTI website www.knowledgetransferireland.com/Model-Agreements/Catalogue-of-Model-Agreements) before the Contract or Collaborative Research Agreement is agreed and signed.
- 114 For Collaborative Research Programmes partially funded by industry, industry contributions need to demonstrably benefit the Collaborative Research Programme to be considered as eligible contributors by State research funding organisations. The values ascribed by an RPO to any industry contributions should be documented for independent audit and shall be reasonable, necessary, allowable and allocatable under the programme.
- 115 Such contributions by industry to a specific Collaborative Research Programme, and the value given to them by an RPO, will be agreed with the respective State research funding organisation as part of the negotiations prior to the establishment of the particular programme. Allowable contributions from industry should be linked intimately to the research being supported in the programme in question. The Programme Plan and the contributions will usually be documented in the programme proposal submitted for review by the State research funding organisation.
- 116 The following represents a non-exhaustive list of industry contributions that may be recognised:
- Cash contributions towards the programme budget.
 - Industry in-kind contributions including, but not necessarily limited to, the following items:
 - Industry scientists, engineers and technicians assigned to working on the programme.
 - Personnel exchange or secondment, from industry to the RPO or vice versa.
 - RPO student placements with industry parties.
 - Access to unique facilities, instrumentation, test-beds.
 - Access to software, data, databases, reagents, biologics or similar precursors.
 - Provision of materials and/or consumables.
 - Quantifiable industry know-how, such as advanced project management capabilities.
 - IP maintenance/protection contributions.
- 117 Consideration may also be given to the ability or willingness of the industry party to introduce further Background IP, such as IP know-how, trade-secrets, proprietary materials or similar 'assets' into the programme over its expected lifetime.
- 118 In-kind contributions are considered eligible when they offset specific, quantifiable and necessary project costs. For instance, data or software would only be considered eligible in-kind contributions if they are specifically required for the project and would have a quantifiable cost to obtain elsewhere. Justification of the essential nature of in-kind contributions and their quantifiable value to the programme must be provided to the relevant State research funding organisation as part of the funding application process.

- 119 Industry contributions cannot be committed multiple times as cost-sharing contributions (e.g. the same piece of equipment cannot be included as a cost-share on multiple State-funded (or part funded) programmes simultaneously. However, such an in-kind contribution may be apportioned to multiple programmes, for example in the same proportions as the time allocated for the use of a piece of equipment by each programme.
- 120 The State research funding organisations will, over time, adopt a common definition of each type of eligible cost and clearly identify which contributions are recognisable upfront, on a programme-by-programme basis.
- 121 To qualify for certain benefits of participation, the industry party shall contribute at least a minimum amount towards the total costs of a research programme. This minimum financial or non-financial contribution varies and is defined separately for each programme by the State research funding organisation funding that programme.
- 122 Setting the minimum contributions will take into account factors such as:
- The types of contribution.
 - The size of the company involved in the research.
 - What other sources of funding are contributing.
 - The type of research (e.g. basic vs. applied) and industry sector involved.
- 123 The following shall not count as part of an industry party's minimum contribution:
- Any post-programme activities.
 - Contributions to the indirect costs of research, such as secretarial or accounting services.
 - The industry party's general overhead costs.
 - Other indirect costs.
- 124 A methodology for Full Economic Costing (FEC) is now available in the universities which enables robust determination of the indirect costs of all activities undertaken by the universities, including research and consultancy.



03

Framework for IP Licensing

- 125 An intellectual property (IP) licence agreement is a contract under which an owner or licensee of intellectual property rights (the licensor) permits another person (the licensee) to engage in activities that, in the absence of the licence agreement, would infringe the intellectual property rights.
- 126 There is no 'official' definition of intellectual property, and for this reason it is often defined specifically in licence agreements. There are many different types of IP. Depending on the subject matter of the licence agreement, IP may be defined as including patents, copyright, database rights, unregistered and registered designs, trademarks, domain names and similar property rights.
- 127 IP licences are sometimes granted to permit a licensee to use, make and/or sell products that use the licensed intellectual property, often in a specific field and/or territory.
- 128 In return for the grant of an IP licence from an RPO, the licensee will typically make payments to the RPO in respect of its use of the RPO's intellectual property – a fee-bearing licence. In some situations a licence may be granted by an RPO to a licensee with no such requirements.
- 129 Key terms of a typical IP licence agreement will usually include the following points:
- Detailed definitions of the subject matter of the licence agreement and key terms used in the licence agreement, including definitions used to elucidate the parameters of the licence, such as Licensed IP, Territory, Field, Licensed Product, Net Sales Value, Valid Claim, etc.
 - A 'grant' clause which describes the scope of the licence being granted, for example, the revocability of the licence, whether the licence is exclusive or non-exclusive, whether the licensee is permitted to grant sub-licences and, if so, any conditions for sub-licensing, etc.
 - Provisions governing confidentiality and publications.
 - Obligations of the licensee, particularly in exclusive IP licence agreements, to develop and commercialise the intellectual property, with provisions stating what is to happen if the licensee fails to comply with these obligations.
 - Warranty, liability and indemnity clauses.
 - Protection of intellectual property and infringement claims.
 - Duration, termination and consequences of termination.
- 130 Fee-bearing licences will include detailed payment terms, which may include, for example, terms covering lump sums, royalties, frequency and time of payments, reports, record-keeping, audit rights, tax issues, etc.
- 131 The type of licence that might be used to licence IP from an RPO will depend on the commercial and other needs or objectives of the respective parties, the best licence model to optimise benefit and value for Ireland and the type of research engagement (where one took place). IP licences granted by the RPO to industry should be specific to the target market at which the product or service that utilises the intellectual property is aimed and the market sector standards that typically apply to those products and services. The types of IP licences that are possible are listed in Table 1 on page 27.
- 132 Even in a situation where a licence does not require up-front or other payments, a licence agreement should be signed by the industry party with the RPO to ensure rights to the intellectual property are contractually managed appropriately.

3.1 General principles in IP licensing

- 133 IP licences granted by RPOs shall be for defined purposes, fields, duration and territories and on fair commercial terms.
- 134 All licences should provide for their termination (for example, in the case of a material breach of the licence terms by the licensee or the insolvency of the licensee), so as to enable the RPO owning the intellectual property to seek further commercial opportunities for that intellectual property.

- 135 Know-how, research tools and other broad enabling technologies owned by the RPO should be very clearly described in licence agreements, so that they are clearly identifiable and ring-fenced from other Background IP of the licensing RPO.
- 136 IP rights in such know-how, research tools and technologies owned by the RPO should normally not be assigned or licensed exclusively and should only be licensed on a non-exclusive basis, as assignment or an exclusive licence may preclude the RPO from undertaking further teaching, research or commercialisation activities in connection with the intellectual property in the know-how, research tools and technologies in question. They should only be licensed on an exclusive basis where:
- The licensee can reasonably demonstrate to the satisfaction of the RPO that an exclusive IP licence is essential for the licensee properly to commercialise the intellectual property it wishes to license from the RPO.
 - The RPO is satisfied that the exclusive nature of the licence will not restrict its ability to continue its teaching, research and commercialisation activities in the field in question.
 - The know-how, research tools and other broad enabling technologies are very clearly described in such detail and manner as would allow the RPO to ensure compliance with the exclusive IP licence.

Table 1 - Licence Types

Licence type	Associated payments	Source
Exclusive licence	May be fee bearing. Patent and other IP management costs should be transferred to licensee.	Unrelated to any research engagement OR Arising from Collaborative Research: Wholly Industry Funded (full economic cost paid by the industry party) OR Arising from Collaborative Research: Part Industry Funded.
Non-exclusive IP licence	May be fee bearing. Patent and other IP management costs should be included in licence.	Unrelated to any research engagement OR Arising from Collaborative Research: Wholly Industry Funded (fully paid by the industry party) OR Arising from Collaborative Research: Part Industry Funded.
Non-Exclusive Royalty-Free (NERF)	Free. Patent and other IP management costs should be included in licence.	Arising from Collaborative Research: Wholly Industry Funded (full economic cost paid by the industry party) OR In certain circumstances only for IP arising from Collaborative Research: Part Industry Funded.
Co-exclusive	May be fee bearing. Patent and other IP management costs should be included in licence.	Only applicable in certain circumstances to IP arising from Multi-Party Collaborative Research: Part Industry Funded.
Assignment	May be fee bearing. Patent and other IP management costs should be transferred to assignee.	Arising from Collaborative Research: Wholly Industry Funded (full economic cost paid by the industry party) OR Subject to a milestone trigger in respect of: → IP unrelated to any research engagement OR → IP arising from Collaborative Research: Part Industry Funded.

- 137 The costs of applying for a patent or other protection by way of registration for IP owned by an RPO (including Foreground arising in Research Collaborations) should be met by that RPO up to the grant of any licence relating to that intellectual property. When an exclusive IP licence is granted, the licensee should meet all subsequent patent costs or other IP protection costs from the grant of the licence. Reimbursement of prior patent costs may be included in the licence fee. When a non-exclusive IP licence is granted, subsequent patent costs and other IP protection costs should be shared equitably by the RPO and the licensee(s).
- 138 The RPO should agree the patent and other registered IP strategy with any licensees or other parties who have exclusive rights, or options to negotiate exclusive licences, with the RPO.
- 139 The RPO should remain the 'client of record' for any agents or lawyers prosecuting patents or other protection for intellectual property owned by the RPO.
- 140 As part of its IP management system, an RPO shall take reasonable steps to ensure that it keeps a record of any written notice or claim received by the RPO that the use of the intellectual property in question is infringing, or could infringe, any third party intellectual property rights.
- 141 Action against any alleged infringement of patents owned by an RPO should initially be taken by the RPO, if it chooses to do so. Where an exclusive licence has been granted for the field and territory in which the alleged infringement is taking place and the licensee(s) is diligently commercialising the IP in that field and territory and can provide prima facie evidence of the infringement, if the RPO chooses not to act, it should promptly notify the licensee(s) of that choice and permit them to take action at their own cost, provided that they indemnify the RPO against any costs, claims or damages that the RPO may incur as a result of the action. In the case of non-exclusive licence grant, if the RPO chooses not to act it should promptly notify any licensee(s) of that choice and grant them the right to take action in its place.
- 142 As the licensee has control over the development and ultimate use, commercialisation and translation into products of any IP it licenses from an RPO, the licensee shall assume any liability which may arise in respect of these activities and shall indemnify the RPO against any such liability.
- 143 In view of the open and academic nature of RPOs and the many research activities that they carry out, it is recognised that RPOs are not in a position to give the same assurances in respect of intellectual property management as a commercial organisation could give. RPOs therefore should not offer warranties or representations or assume liabilities concerning IP management or protection. An organisation contemplating the commercialisation of IP provided by an RPO should itself take whatever steps it considers necessary to satisfy itself as to the condition or level of protection of the IP.
- 144 The RPO will seek to maximise other opportunities to commercialise IP for the benefit of Ireland. Therefore, the same intellectual property will at all times also be available for licensing by the owning RPO to other interested parties, on terms which the RPO is free to negotiate with the other interested parties, except to the extent, if any, that an industry party has an option to take or has taken a non-exclusive licence or has an option to take or has taken an exclusive licence, as described below.
- 145 Further detailed guidance on licensing is provided in the KTI Practical Guide to Licence Agreements at www.knowledgetransferireland.com/Model-Agreements/Practical-Guides.
- 146 Template Model Licence Agreements are available to download from the Knowledge Transfer Ireland website at www.knowledgetransferireland.com/Model-Agreements/Catalogue-of-Model-Agreements.

3.2 Fee-bearing Exclusive or Non-exclusive Licences

- 147 Exclusive and Non-exclusive licences may be negotiated with an RPO which, unless specific circumstances apply, will involve financial terms.
- 148 The types of payments that may be made in a licence may include one or more of:
- Upfront Fees
 - Milestone Payments
 - Success Payments
 - Royalties
- 149 Exclusive licences may also include reimbursement of patent costs or other costs incurred securing protection for licensed IP.

3.3 Non-Exclusive Royalty-Free licences (NERFs)

- 150 In respect of IP arising in a research collaboration (Foreground IP), an RPO may grant a Non-Exclusive Royalty-Free (NERF) licence to an industry party that is contributing at least the minimum payment (see 2.7.3 Costs and Contributions towards Research), subject to compliance with EU State Aid obligations. Grant of the NERF provides the industry party with the comfort that it has the right to use the RPO's IP as described in the NERF. This may be important in certain sectors where speed to market is important and / or where a broad range of IPR is needed to support a product or service and where taking a commercial IP licence is not compatible with business models in the sector or with the objects of the RPO.
- 151 A NERF licence should include reimbursement of ongoing patent costs or other costs incurred securing protection for licensed IP in an equitable manner between RPO and other licensees.

3.4 Assignment

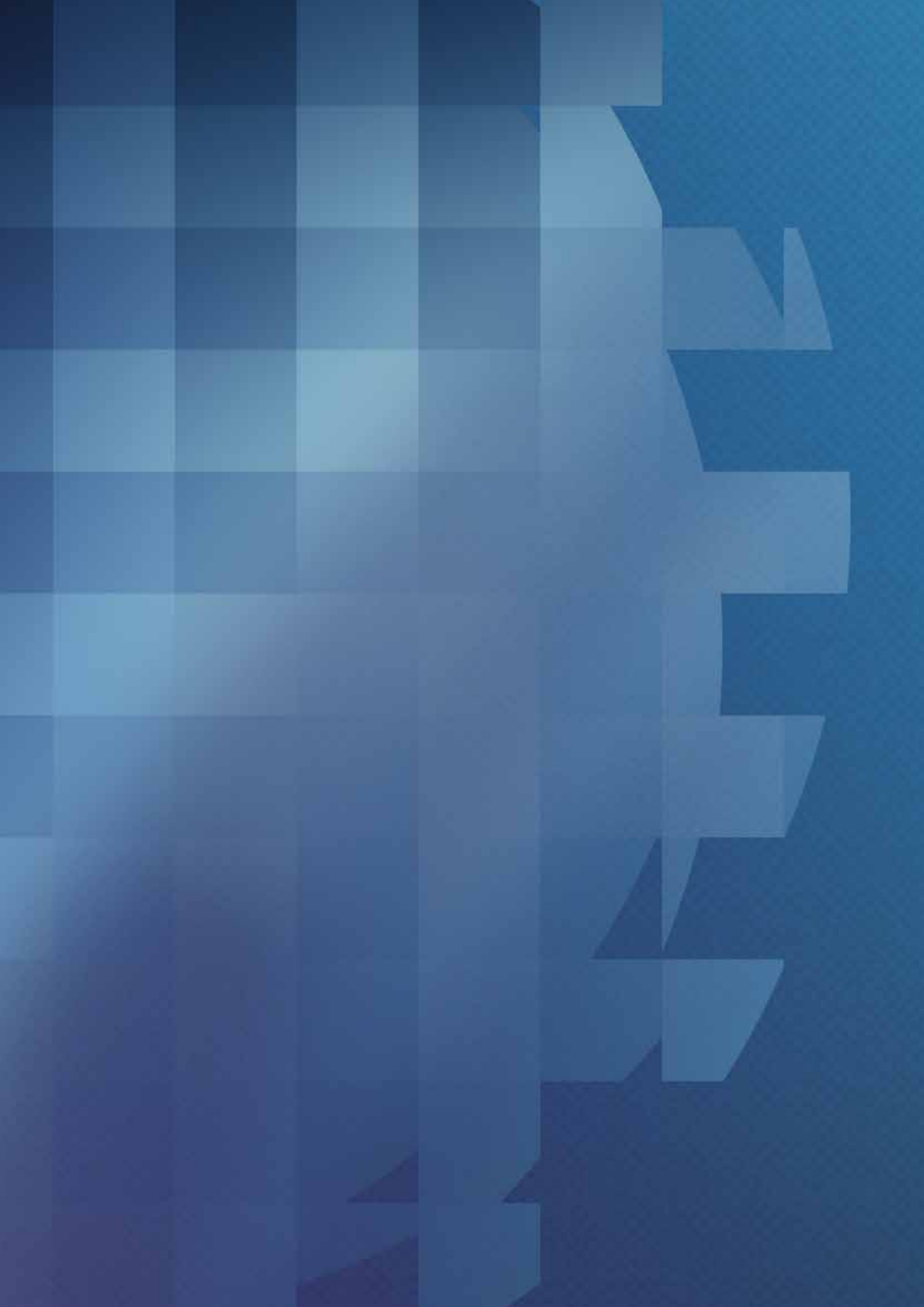
- 152 While an RPO will not normally consider assigning ownership of its intellectual property, it may in exceptional circumstances, once IP has been created, agree to transfer or assign ownership of the IP, provided that it:
- Satisfies itself that the licensee will commercialise the assigned IP for the benefit of Ireland.
 - Receives fair value in return.
 - Is able to continue its non-commercial research and teaching in all fields and to use the assigned IP for those research and teaching purposes.
- 153 The RPO should request commercial consideration for assignment.
- 154 The costs of applying for a patent or other protection for IP owned by an RPO should initially be met by that RPO up to the grant of any assignment relating to that IP. When assignment is granted, the assignee should meet all subsequent patent costs or other IP protection costs and may be requested to include historic patent and IP protection costs as part of an upfront assignment fee.
- 155 The RPO should agree the patent and IP protection strategy with any potential assignee who has rights or options to negotiate an IP assignment.
- 156 Action against any alleged infringement of patents or other IP assigned to an industry party should be taken by the industry party whether or not the alleged infringement occurred before or after assignment, if it chooses to do so.
- 157 As the assignee has control over the development and ultimate use, commercialisation and translation into product or services of any IP it is assigned from an RPO, the assignee shall assume any liability which may arise in respect of these activities, and products and services and shall indemnify the RPO against any such liability.

3.5 Retained rights

- 158** Where an RPO has granted an exclusive or non-exclusive IP licence or has assigned IP to a licensee, the RPO shall retain the right to use that intellectual property in all fields or applications for internal research and teaching purposes.
- 159** Where an exclusive licence has been granted to a licensee for defined fields or applications, the RPO shall retain the right to commercialise the IP and to use it for Collaborative Research Programmes with other RPOs and industry parties in all other fields or applications.
- 160** Where a non-exclusive licence has been granted the RPO shall retain the right to commercialise the IP and the right to use it for Collaborative Research Programmes with other RPOs and industry parties in all fields and applications.
- 161** Table 2, below, summarises these rights.

Table 2 - RPO retained rights

RPO retained right	IP licensed non-exclusively to industry party	IP exclusively licensed to industry party	IP assigned to industry party
Use for teaching and research within the RPO.	Yes, for all fields or applications.	Yes, for all fields or applications.	Yes, for all fields or applications.
Use in Collaborative Research Programmes with other RPOs and industry parties, including programmes sponsored by industry parties.	Yes, for all fields or applications.	No, not in the licensed field or application (unless by prior agreement with industry party). Yes, in all other fields or applications.	No (unless by prior agreement with industry party).
General right to use and commercialise.	Yes, for all fields or applications.	Only outside of the licensed field or application.	No.
Right to sub-license IP (including transfer of tangible research materials) to third parties (industry or other RPOs) for research or commercial purposes.	Yes, for all fields or applications.	Only outside of the licensed field or application.	No.



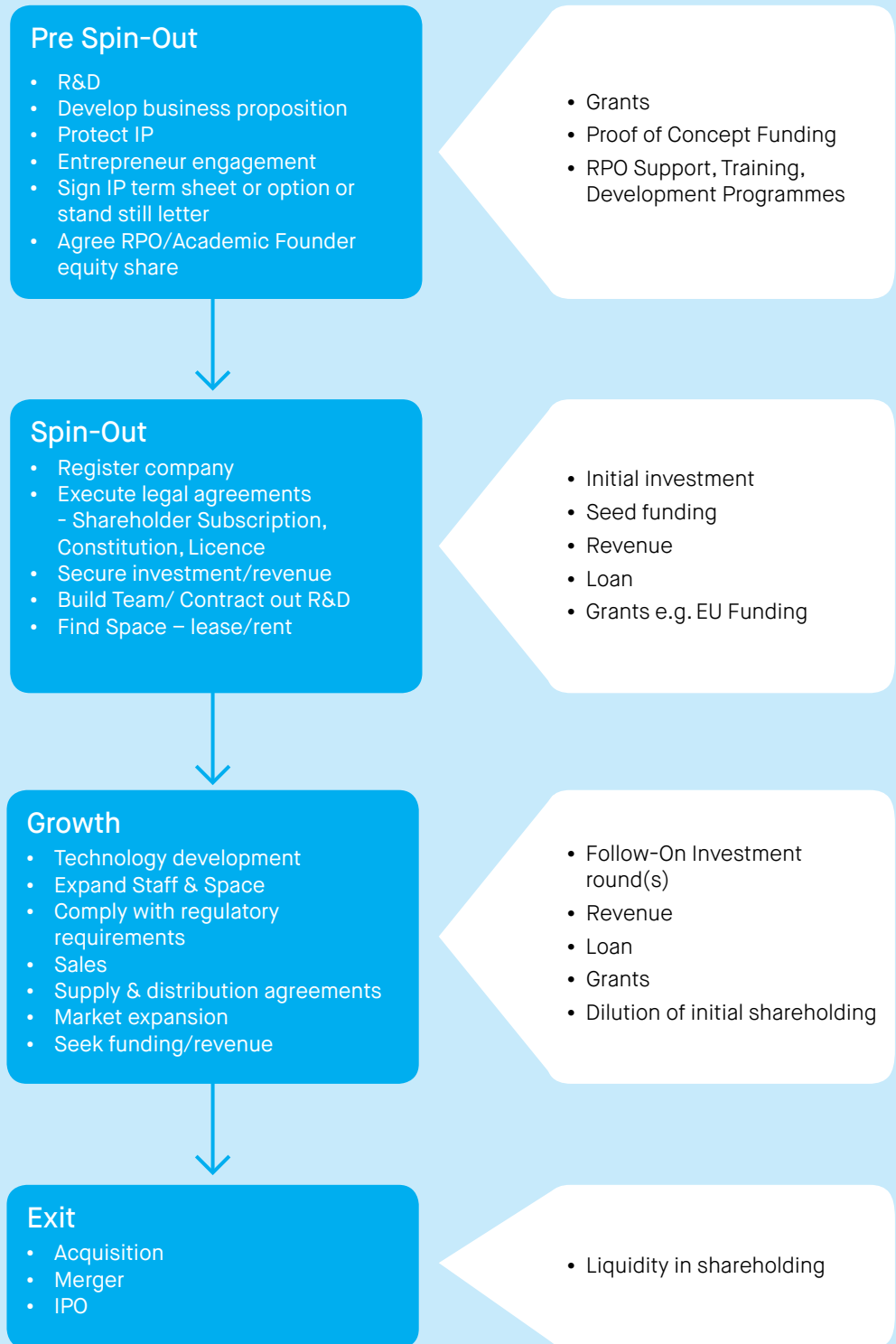
04

Framework for Spin-Out Company Formation

- 162 This chapter sets out the processes and issues involved in spin-out company formation from RPOs. It describes the main considerations for those who are involved in supporting spin-out company development such as company founders, investors, researchers and RPOs.
- 163 Spin-out companies, in the context of this IP Protocol, arise from RPOs.
- 164 The objectives for spin-out company creation are consistent with the national policy for research commercialisation at Chapter 1, which include:
- Ensuring commercialisation of intellectual property from publicly funded research.
 - Maximising the economic and societal benefits and returns to Ireland.
 - Providing benefit to the RPO and incentives to the researchers involved.
 - Creating sustainable jobs in Ireland.
- 165 Creating a new spin-out company is a substantial undertaking and is inherently high-risk. Most technologies arising from an RPO are at an early-stage of development and will require a significant investment of both time and money to bring them to the marketplace. Effective spin-out companies require a range of assets and resources to commercially develop IP. These include: specialist management, facilities such as laboratories or manufacturing provision and funding (typically from a combination of investors, grants and customers).
- 166 The people who become involved in a spin-out may come from many and quite different backgrounds. They will be woven in progressively as the spin-out advances through its various business phases. Added value in the company will be their primary concern, focussing on the products, services, revenues and profits that are to flow from the intellectual property and technology.
- 167 The inception of a spin-out involves a specific researcher(s) or other individual(s) within the RPO who are governed by the RPO's Policy for IP commercialisation.
- 168 Spin-outs are usually reliant on RPO intellectual property at the time of formation ("Spin-out company: IP-based") and will usually take a licence to that IP from the RPO in addition to any equity share with the RPO in respect of the spin-out, see 4.1.6.
- 169 In some situations, a spin-out company may not be dependent on a licence to registered IP from the RPO but will instead draw on knowledge and expertise (know-how) of a specific researcher(s) or member(s) of the RPO. This type of spin-out may be considered to be a "Spin-out company: IP-independent".
- 170 A start-up is a company from an RPO created by staff or students but which is not based on IP or knowledge to which the RPO has rights under its Policy for IP commercialisation. As such, the company is not required to negotiate a formal IP Licence or equity share with the RPO.
- 171 A spin-in company is an existing incorporated company that intends to license, develop or otherwise exploit RPO intellectual property and/or leverage staff, infrastructure and/or other RPO resources on agreed terms. The spin-in shall be co-located within the RPO.
- 172 A spin-in shall require the approval from the RPO according to its policy for IP commercialisation in respect of its access to IP and related resources. See IP Protocol Resource Guide Section I, Requirement 1.
- 173 The remainder of this Chapter deals with the principles and processes that apply to spin-out company creation. Similar considerations in whole or in part, to those set out in this section at 175, 177, 178, 225, 241-251, 253, 254 should also apply to spin-in companies (as defined above).

- 174 Typically, it is appropriate to create a spin-out company when there is:
- A clear value proposition.
 - Market opportunity or unmet need.
 - A plan to reach the market.
 - Clear benefits to founders, investors and the RPO.
 - The expected benefits outweigh risks.
 - The researchers within the RPO interested in creating the spin-out are enthusiastic and committed to the venture.
 - Potential for economic and social return for Ireland.
- 175 The formation of a spin-out company shall be formally approved by the RPO according to its policies. Each HEI describes its decision-making processes in its policy for IP commercialisation which shall be published by each HEI. Other RPOs shall adopt and publish similar policies. See IP Protocol Resource Guide Section I, Requirement 1.
- 176 In deciding whether to approve a spin-out, the RPO shall take into account commercial considerations such as whether greater potential for commercial or societal returns exist by way of creating a spin-out than by licensing.
- 177 At a minimum the RPO shall expect to:
- Receive a business proposition or business strategy document.
 - Understand what RPO intellectual property and know-how is proposed to be used by the company.
 - Know who will be involved in the spin-out and how they will be engaged - including RPO staff and students.
 - Understand if the company will have an ongoing relationship with the RPO and if so, on what basis.
 - Receive a copy of the CRO document as evidence of registration in cases where the spin-out company has been registered.
- 178 Consideration shall also be given to the management of actual and potential conflicts of interest, as described in individual HEI policies for the management of Conflicts of Interest. Other RPOs shall adopt similar policies. Conflicts of interest policies shall be made available internally by the RPO and may be published externally. See IP Protocol Resource Guide Section I, Requirement 9.
- 179 In deciding whether to become involved with a spin-out, founders and investors should consider:
- The value proposition and commercial feasibility.
 - Route to revenue realisation.
 - The financial investment required.
 - Financial return.
 - Availability of the RPO IP and freedom to operate.
 - Potential licence from the RPO.
 - Equity share with the RPO.
 - The personal commitment required to drive the venture.
 - Their appetite for risk.
- 180 There is no "standard" model for spin-out formation, however the diagram in Figure 2 on page 36 shows a typical spin-out journey.

Figure 2 - The spin-out journey



4.1 Roles, responsibilities and rewards

181 There are a number of actors involved in creating a spin-out. As the company develops from a concept to a fully-fledged venture, roles and responsibilities will become more formalised in the company. The complement of people and roles will change as the company matures, for example as management and staff are recruited and as new investors and partners are involved. Interests will be aligned at the start but may diverge as the company develops and as the role and perspectives of the different actors may change.

4.1.1 Founders

182 Spinout company founders may come from the RPO (RPO Founder) and/or be external to the RPO. Founders should be contributing to the creation and ongoing development of the company and will be taking some risk through their involvement. For example, financial investment and/or time contribution.

183 To recognise ongoing commitment to the company, founders may receive equity and/or take a seat on the Board of Directors. This is at the discretion of the company and will usually take into account the nature of the involvement, risk and incentivisation.

184 A founder external to the RPO, is expected to bring complementary expertise such as commercial experience and lead on the development of the business, including business planning and securing investment. They may also bring specific technical experience. They are likely to have continued relationship with the company post-formation, usually in a senior management position such as CEO and in some cases will typically be a director of the company.

185 The RPO Founder should be at the centre of the spin-out from the outset, actively assisting in the development of the company prospect. They are likely to have a direct role employed within the company post-formation or, if they remain in the RPO, they will have a significant ongoing relationship with the company.

186 Involvement with the spin-out post-formation may include, but is not limited to:

- Leaving the RPO and joining the spin-out company full-time.
- Leaving the RPO and joining the spin-out company part-time.
- Working part-time at the RPO and working part-time in the company.
- Chairing or being involved in the Scientific, Technical or Research Advisory Board of the company in the early stages of the company's life whilst remaining employed in the RPO.

187 Any of the above engagements shall be governed by an appropriate contract. See the IP Protocol Resource Guide Section III for detail on Model Agreements.

188 Any individuals from the RPO who intend to remain an employee of RPO (in any capacity) whilst involved with the spin-out company shall need consents from the RPO for the activities undertaken in relation to the spin-out. Any actual or perceived conflicts of interest shall need to be adequately managed. Refer to the RPO's policy on IP commercialisation and on Conflicts of Interest.

189 An RPO Founder receiving personal equity shall not be allocated a proportion of the RPO's equity in the spin-out to hold in their own name. Whether an RPO Founder receiving personal equity shall benefit further under any revenue generated by the RPO from licensing to the spin-out shall be a matter for that RPO and this shall be detailed in the RPO's policy for IP commercialisation.

- 190 Where an engagement that involves the RPO Founder also involves the use of RPO resources, facilities, equipment etc, a formal contract shall be negotiated between the spin-out and the RPO. In deciding if and how such an engagement should proceed, the RPO shall take into consideration its Conflicts of Interest policy.

4.1.2 Investors

- 191 The majority of spin-out companies will typically seek external investment at an early stage to provide the necessary capital for business expansion. In some situations, the company may seek funding by way of grants or R&D contracts or through debt financing such as bank loans.
- 192 External investors may include institutional venture capital funds (VC), business angels, dedicated funds such as those available from Enterprise Ireland or EU sources and may be a combination of these.
- 193 Founders, and often their "friends and family", may also be investors in the company.
- 194 The goal of an investor is to make a return on their investment, relative to the risk undertaken given the wide range of uncertainty in an early stage company. Dimensions of risk assessed by investors include market, team, technology and regulatory in the case of life sciences. Investors typically seek to invest in innovative companies that have high growth potential.
- 195 Different types of investor will apply different considerations. For example, a VC firm typically seeks investment opportunities that fit the investment strategy of the specific fund from which it is investing. The investors in that fund will expect the VC to target opportunities in line with the fund strategy and deliver the target returns through a portfolio strategy, diversified across a range of investments within that specific sector, stage and risk profile.
- 196 Investors will seek an equity shareholding in return for their investment and typically use equity investment instruments to govern the transaction. Alternatively, convertible loan notes are used, which convert into equity at the company's next financing round.
- 197 External investors may seek a board position. Major investors will almost always expect a board position and an observer position.
- 198 As well as providing capital, many investors will bring further added value to support company development. Generally, a VC firm and its team will have specific experience in the particular sector and across relevant stages of company development. The VC firm will have built a track record of investment activity, business building capability, project development and operational success over an extended period of time.
- 199 Subsequent rounds of investment will also be in return for equity.
- 200 New investors may seek a board position.

4.1.3 The RPO

- 201 The RPO shall take equity in the spin-out company recognising the environment it has created in which the original idea developed and was supported and to incentivise future entrepreneurial activity.
- 202 The RPO may seek the right to appoint a director to the board of the company to ensure that the company is being managed correctly and that the RPO has a means to protect its interests though input into company decisions and to provide expertise to the company. Usually this right will be sought for a fixed period of time, e.g. until a certain level of investment has been achieved in the company. Additionally, the RPO may seek the right to appoint an observer to understand company progress.
- 203 Where the spin-out is dependent on access to RPO IP, this shall be offered by way of a licence. See 4.2.3 and 4.2.4.

- 204 The RPO may offer the spin-out company access to facilities, equipment, RPO expertise or other resources. Any such engagement shall be entered into on arms-length terms under an appropriate contract.

4.1.4 Other RPO contributors

- 205 There may be others within the RPO research team who have contributed towards the spin-out company, e.g. through IP creation, but who will not have played a direct role in the creation of the company or, if they have been part of the development of the company proposition, will not have any formal role with the company post-formation. They should not be considered as company founders.
- 206 RPO contributors will not usually receive shares in the company. How they are rewarded is at the discretion of the RPO and shall be described in its policy for IP commercialisation. They may benefit under the RPO revenue share scheme if they have contributed to IP that is licensed to the spin-out if this is consistent with the RPO policy for IP commercialisation.
- 207 In the event that an RPO contributor obtains personal equity they shall not be allocated a personal share of the RPO's equity in the spin-out.
- 208 Any RPO staff engaged with the spin-out at any future time shall seek a formal contract of engagement with the company. Any such engagement shall be subject to the RPO's policies on IP Commercialisation and on Conflicts of Interest. Where an engagement involves the use of RPO resources, facilities, equipment etc, a formal contract shall be negotiated between the spin-out and the RPO. In deciding if and how such an engagement should proceed, the RPO shall take into consideration its Conflicts of Interest policy.

4.1.5 Directors and Observers to the Board

- 209 Company directors have statutory and fiduciary responsibilities. There are also implications for observers to the board. KTI Practical Guide to the Role of Directors & Observers provides further information and can be found at www.knowledgetransferireland.com. See also Resource Guide Section II for other resources.

4.1.6 Determining equity and revenue

- 210 At the time the RPO formally approves the spin-out company (see 175-178), the RPO shall agree with the company the level of equity the RPO will hold. At that time, "the company" will typically involve those directors named on the company registration documents, usually the founders. The equity for the RPO should be set relative to a specific and realistic level of investment to be achieved or company valuation to be attained.
- 211 The process for approval of the RPO equity terms shall be in accordance the decision-making processes set out in its policy for IP commercialisation. See IP Protocol Resource Guide Section I, Requirement 1.
- 212 At this early, pre-investment, stage it is often preferable that the agreements that are put in place to give the company certainty with which to go forward to fundraise are simple and swift to negotiate. Typically, this may be by way of a Term Sheet and an option to a licence to the IP, or similar. See 4.2.

- 213 Agreeing equity share in a company is a commercial negotiation based on risk and reward. Equity share for the RPO should depend on the specific proposition and commercial potential, the stage of development and “commercial readiness” and the resources that will be required, including skills, financial and time, to achieve commercial success. When negotiating its equity stake the RPO shall take into account state support for the research underpinning the commercial prospect and shall seek a fair return that balances the contributions to date from the State and RPO (financial and in-kind) against the future commercial development required. Ultimately the RPO shall act to maximise the overall economic and social benefits for Ireland.
- 214 The share of equity with founders should take into consideration their contribution to the creation and subsequent development of the company, the risk taken (and intended to be taken), any personal financial investment, the level of commercial readiness of the proposition and the downstream effort required to bring success.
- 215 In negotiating equity share, the parties should be able to describe the logic behind their positions.
- 216 It is important to bear in mind that further equity sharing will be required downstream e.g. with subsequent investors, management and staff.
- 217 The terms of any external investment into the company, including valuation and shareholding, should be agreed between the board of the company and the potential investors.
- 218 New investors will require equity in return for their investment, which means that subsequent rounds of investment will result in dilution for the original shareholders, unless they are able to invest further.
- 219 For cash intensive businesses that require significant financial investment this dilution will be substantial. However, it is more advantageous to have a small proportion of a successful company than a large proportion of one that is unable to deliver on its potential.
- 220 Additional shares may be made available for company management and other personnel. How this is structured is for the company to determine.
- 221 The terms of any other forms of external financing into the company should be agreed between the board of the company and the finance source.
- 222 The types of shares that may be granted are detailed further in the Practical Guide to Spin-out Companies which can be found at <https://www.knowledgetransferireland.com/Model-Agreements/Practical-Guides>
- 223 The Shareholders Agreement will detail when shares may be sold.
- 224 A commercial licence to any intellectual property required from the RPO should be negotiated by way of a separate agreement to the Shareholders Agreement.

4.2 Legal agreements

- 225 In this section the types of contracts and arrangements that may be put in place when spinning out a company are described. More detail can be found in the IP Protocol Resource Guide at Section IV.
- 226 The Shareholders Agreement (detailing equity considerations) and the Licence Agreement (for IP) should be treated as two separate agreements which should be executed simultaneously.
- 227 Terms of the Shareholders Agreement and the licence may be considered in the context of the totality of the deal. The equity consideration represents a risk for the RPO which is dependent on the success of the company and the licence offers more certainty of return from the commercialisation of the IP.
- 228 In some situations the commercial terms agreed for the IP licence may involve equity.

229 It is worth noting that the initial agreements, that are necessary for the establishment of the company, will generally require revision when significant equity-based investment is achieved. At that stage, the investor will typically agree with the company the key elements which will usually be outlined in a detailed Term Sheet. These will be formalised legally, with additional detail, across a range of interconnecting documents such as the Subscription and Shareholders Agreement (sometimes an Investment Agreement and a Shareholders Agreement), the Company Constitution and employment agreements for key members of the company. These agreements formalise, among other things, the basis on which the investors have invested, the ownership structure of the company and how significant decisions are made by the management team, the board and the shareholders and employee's relationship with the company.

4.2.1 Term Sheet for Shareholders Agreement

230 Prior to the establishment of a spin-out, or as part of an investment in a spin-out company, the parties generally discuss and agree the principles underlying the deal through a negotiation that is reflected in an agreed Term Sheet (sometimes called a Heads of Agreement or Heads of Terms). This sets the framework for the ongoing relationship and details the key items that will be subsequently incorporated into the detailed legal agreements such as the Subscription and Shareholders Agreement and the Company Constitution.

231 Term Sheets are particularly helpful at the early stage of company formation, but the choice of the types of agreement to be used will be determined on a case by case basis by the parties. In some situations the parties may wish to move to a full Shareholders Agreement at the outset.

232 The elements captured in the Term Sheet will vary from deal to deal, but should usually address the following areas at a minimum:

- Pre-external investment:
 - The amount of any personal investment made
 - The relative shareholdings of the parties and any special rights attaching to the investors' shares (if appropriate)
 - The composition of the board and meeting requirements.
 - The role of the founder(s) in the company.
 - Any milestones to be achieved
- At the time of third party investment:
 - Who is investing.
 - The amount of the investment.
 - Equity/shareholdings for each of the parties pre and post the investment.
 - Rights (generally voting, information and economic) attaching to each class of shares in the Company.
 - The composition of the board and meeting requirements.
 - The level of Warranties and who is providing them.
 - The conditions with which the Investor needs to be satisfied prior to completing the investment. For example, the results of their business, technical, legal and financial due diligence, a satisfactory business plan and budget, satisfactory employment agreements between the company, founder and management teams, review of key commercial contracts including the IP licence and revenue share agreements.
 - In some cases mechanisms for the treatment of founders' and managements' shares should they leave the business within a specific period of time from the completion of the investment may be included.

4.2.2 Shareholders Agreement

- 233 The terms of the Shareholders Agreement describe in more detail the aspects covered in the Term Sheet and legally bind the shareholders.
- 234 In some cases, the Shareholders Agreement is put in place at the initial stage of company formation instead of a Term Sheet. It will usually be negotiated and signed between the company, founders and any other shareholders including the RPO.
- 235 The terms relating to shareholding describe how the company should be operated and outline shareholders' rights and obligations, how the company will be managed and the rights and protections of the different classes of shareholders.
- 236 The Shareholders' Agreement should be read in conjunction with the Company Constitution as there can be some overlap in the subjects covered in both documents.
- 237 When investment is secured, the contract used may be a single Shareholders and Subscription Agreement (SSA) or may involve a separate Investment Agreement (or Subscription Agreement) alongside the Shareholders Agreement.
- 238 The terms relating to investment (subscription) deal with the subscription for shares by the investors in return for the investment monies, at the specific time of the investment.
- 239 A template Model Shareholders Agreement applicable to early stage companies can be found at <https://www.knowledgetransferireland.com/Model-Agreements/Catalogue-of-Model-Agreements>

4.2.3 Option to IP

- 240 When exploring the potential to establish a spin-out, the founder(s) may wish to ensure that the spin-out will be able to access the identified RPO IP, in which case the RPO and the founder(s) should either sign an Option Agreement or the RPO should issue a "Stand Still Letter" (see IP Protocol Resource Guide Section IV). Whilst the two are different ways of contracting, the effect, in either case, is that the RPO provides the founders with a runway to progress the spin-out concept by agreeing to maintain the intellectual property for a fixed period (typically 6-12 months) and not to market or enter into discussions with any other company that has an interest in licensing the IP.

4.2.4 IP Licensing

- 241 IP should be licensed into a spin-out as a separate transaction from the shareholding to ensure that royalties and/or other commercial returns do not become 'decoupled' from the IP going forward.
- 242 Spin-outs are high risk ventures and, as RPOs have a duty to ensure that intellectual property is developed for economic and public good, it is incumbent on the RPO to ensure that the intellectual property can be recovered and recycled if things do not go to plan in the future. RPOs shall therefore license intellectual property to spin-outs rather than assign. Assignment is an irrevocable transfer of rights.
- 243 The Framework for IP Licensing described in Chapter 3 is applicable.
- 244 Assignment of IP may be possible at a future time if certain pre-agreed commercial, developmental and/or investment milestones are met, such that the RPO has confidence that the company has a reasonable chance of successfully developing the IP.
- 245 An investor may wish to have some certainty that IP can be assigned to an acquirer in the future.
- 246 Assignment shall be subject to commercial terms to be negotiated at the time of the initial licence.

- 247 There are two main assignment scenarios:
- A change of ownership of the IP to the company with commercial terms for the RPO preserved. In this case a return to the RPO in respect of assignment is appropriate.
 - A buy-out by the company of the licence and its associated commercial obligations, which will mean that the RPO will no longer benefit from royalties or other returns. Whilst this may not, on the face of it, be desirable for the RPO, the commercial context may dictate this as a sensible course of action. For example, at the point of company acquisition. In this case a more significant consideration for the RPO is appropriate. This could, for example, take the form of further equity for the RPO and/or a percentage of the revenue achieved by the company at acquisition.
- 248 Access to future IP generated by the RPO that may be of interest to the company shall be governed by separate licensing terms at the time that such IP arises, subject to any pre-existing obligations.
- 249 Further details on IP due diligence and IP licensing agreements can be found in the IP Protocol Resource Guide at Sections II and III, respectively.
- 250 Revenue return to the RPO from licensing shall be distributed internally according to the RPO's policy for IP commercialisation that takes into account inventors and contributors to the commercialised IP.
- 251 Where such inventors or contributors also hold founders equity in the spin-out to which the IP has been licensed, their right to enjoy a share of such licence revenue shall be determined by the RPO's policy for IP commercialisation.

4.2.5 Other agreements

- 252 A Constitution is a formal document that sets out the rules governing a company and its activities. It also defines the relationship between the company, shareholders, directors and other officers of the company. It is a binding agreement between the company and its shareholders and officers. See IP Protocol Resource Guide Section III.
- 253 The spin-out and RPO may choose to enter into further arrangements that are of value to the spin-out. These may include:
- Access to space.
 - Use of laboratories, facilities and/or equipment.
 - Consultancy advice or services.
 - Research collaboration.
- 254 Each of the above shall be subject to an arm's length contractual arrangement. Any implications of EU State Aid legislation should be considered. See Chapter 6.

4.3 Other documents

- 255 At company registration at the Companies Registration Office (CRO), an initial shareholding in the company will need to be stated. There is no minimum amount that needs to be subscribed and usually a nominal amount (i.e. between 1 and 100 shares) is stated. It is likely that the company will be registered with the founder(s) named as the initial shareholders. In some cases the RPO may also be named as an initial shareholder.
- 256 Registration of a business name at the CRO is a separate event and may precede the company registration.
- 257 For other documents, such as company Constitution and Letter of Appointment of Non-executive directors, refer to the IP Protocol Resource Guide III.



05

National IP Management Requirements

- 258 The State requires that each RPO shall have policies and systems in place that meets the National IP Management Requirements to ensure that intellectual property arising from research taking place in Ireland's RPOs is managed professionally. This includes updating RPO IP policy and related procedures at least every four years and upon any significant change in national policy and guidance. It involves designing, implementing and continuously improving each RPO's internal processes for assuring that IP is managed in a professional way; appointing appropriate members of staff to lead and to be responsible for process design, implementation, operation and continuous improvement; providing necessary resources; and ensuring compliance with these internal processes.
- 259 In setting out the National IP Management Requirements the aim is to give confidence to industry and investors and to State research funding organisations that Ireland's RPOs manage research commercialisation, related contracting and intellectual property in a fully professional manner. The National IP Management Requirements also aim to ensure that consistency in practice across the RPOs is achieved.
- 260 The IP Management Requirements also set expectations – on RPOs and on commercial parties wishing to engage with RPOs.
- 261 To meet this objective, there are ten National IP Management Requirements which each RPO must fulfil in designing and operating its own internal IP management system.
- 262 The Requirements are as follows:
- **Requirement 1:** Adopt and disseminate a policy for IP commercialisation that includes the Minimum Requirements for an IP Commercialisation Policy
 - **Requirement 2:** Ensure early awareness amongst researchers of the importance of IP management.
 - **Requirement 3:** Set obligations on individual researchers (supported by robust RPO procedures and internal IP management systems) to ensure IP is managed in a professional way.
 - **Requirement 4:** Maintain confidentiality before publication of research and confidentiality of IP provided by and to others.
 - **Requirement 5:** Protect IP including IP arising from research projects and programmes.
 - **Requirement 6:** Introduce existing background IP into a research programme diligently.
 - **Requirement 7:** Conduct appropriate due diligence before licensing IP.
 - **Requirement 8:** Maintain appropriate records of IP and licences.
 - **Requirement 9:** Manage actual and potential conflicts of interest.
 - **Requirement 10:** Implement systems for the sharing of income from the commercialisation of IP within the RPO.
- 263 The National IP Management Requirements are described in detail in the IP Protocol Resource Guide at Section I with links to the supporting template documents. The most up to date version of the IP Protocol Resource Guide is maintained on the KTI website www.knowledgetransferireland.com/Reports-Publications.
- 264 The Requirements are defined, and from time to time updated, by Knowledge Transfer Ireland (KTI) which works with the Technology Transfer Offices (TTOs) within the RPOs to help implement them.
- 265 Every RPO undertakes to have in place an IP management system meeting the National IP Management Requirements.

- 266 However, in view of the open nature of RPOs and the many research activities that they carry out, it is recognised that RPOs are not in a position to give the same assurances in respect of IP management as a commercial organisation could give. RPOs therefore should not offer warranties or representations or assume liabilities concerning IP management or protection. An organisation contemplating the commercialisation of IP provided by an RPO should itself take whatever steps it considers necessary to satisfy itself as to the condition or level of protection of the intellectual property.
- 267 RPOs shall have a published policy for IP commercialisation that meets the Minimum Requirements for an IP commercialisation policy set out in the IP Protocol Resource Guide at Section I.
- 268 RPOs shall have published policy that takes into account the management of potential or actual conflicts of interest concerning the commercialisation of IP.
- 269 RPOs shall have procedures in place that cover accurate and timely reporting on all commercialisation activities to the appropriate state agencies and, in particular, to KTI which is charged with delivering the national Annual Knowledge Transfer Survey (AKTS).
- 270 RPOs should ensure that their staff, contractors, consultants and students are aware of, and follow, these policies and procedures.
- 271 RPOs shall encourage their researchers to participate in commercialisation, joint R&D programmes with industry and in consultancy, through financial and non-financial incentives and rewards.
- 272 RPOs shall protect and manage IP through their TTOs, with the aim of effective commercialisation.
- 273 KTI shall support the Higher Education Authority (HEA) in the evaluation of the compliance of the Higher Education Institutions (HEIs) with the National IP Management Requirements, which may include independent audit, and shall support the HEIs to achieve compliance with this Policy and the National IP Management Requirements and any other national requirements relating to HEI governance in respect of commercialisation of IP issued by the HEA or by relevant Government departments.
- 274 KTI is responsible for the evaluation of compliance with the National IP Management Requirements by other RPOs in receipt of TTSI funding (directly or indirectly) and for the support of RPOs to achieve compliance with this Policy and the National IP Management Requirements. An RPO shall be able to demonstrate that it has in place and operates an internal IP management system that meets or exceeds the National IP Management Requirements.
- 275 An RPO which does not have an IP management system that meets the National IP Management Requirements, or which is not able to demonstrate full compliance with its IP management system, should agree with KTI a plan for the progressive development of its IP management system in order to achieve compliance. This plan should specify the order in which the various National IP Management Requirements will be addressed and, for each requirement, a timetable for reaching a fully mature system.
- 276 KTI will review and update the National IP Management Requirements from time to time, in consultation with the HEA, relevant Government departments, RPOs and industry to ensure that all aspects of RPO IP management are carried out in as professional and practicable a manner as possible.

06

Consideration of EU Regulations Relating to Research, Development and Innovation with RPOs

Consideration of EU Regulations Relating to Research, Development and Innovation with RPOs

6.1 State Aid considerations

- 277 This Chapter provides a short summary of EU State Aid legislation and Competition Law and explains why it is relevant to contracting between companies and RPOs. More information on EU State Aid legislation is available in the KTI Practical Guide to State Aid in Research, Development and Innovation (R,D&I) with RPOs www.knowledgetransferireland.com.
- 278 State Aid legislation ensures that there is fair and open competition within the EU without Member States subsidising businesses unfairly.
- 279 State Aid law regulates both direct and indirect State Aid to a company.
- 280 State Aid is the use of state funding or resources to support an "undertaking". An undertaking is any entity that carries out an economic activity, selling goods or services on a market. Businesses are most easily recognised as an undertaking, but publicly funded institutions, including universities, can also be undertakings for the purposes of State Aid if they carry out an economic activity.
- 281 State resources are those which are provided by or through the Government of a Member State, or an arm of the Government (e.g. a public body), either directly or through an intermediary.
- 282 A transfer of resources to an undertaking will happen where money is paid, a resource is provided or an economic benefit is conferred.
- 283 Not all State Aid is unlawful, but any State Aid which has an anti-competitive effect within the EU will be unlawful unless the aid comes within an exemption or the European Commission authorises that aid. Exemptions are an important tool used to facilitate and encourage investment in research, development and innovation, leading to economic growth. Exemptions will usually be sought for specific R, D & I funding programs at national level.
- 284 In the absence of an exemption, State Aid will be unlawful if it involves a transfer of state resources which is selective and confers an advantage on an undertaking which threatens to distort competition and has an effect (actual or potential) on trade between EU states.
- 285 An advantage is an economic benefit which the undertaking would not have received in the normal course of things. A transaction which is on terms more favourable than normal market terms will confer an advantage.
- 286 Aid is selective if only certain businesses, sectors or regions benefit from it.
- 287 RPOs run the risk of unwittingly falling foul of State Aid legislation if their interactions with external organisations are carried out without due regard to its restrictions. When RPOs act appropriately and in accordance with relevant legislation in accounting for State Aid this is, in effect, protective of their industry partners - since a breach could require those businesses to repay unlawful aid.
- 288 An RPO carrying out an economic activity (e.g. contracted research or the provision of consultancy services) funded by, or using resources funded by, the state or an arm of the state, will usually be a recipient of State Aid. It may be able to avoid this if the economic activity does not account for more than 20% of the annual capacity of the relevant part of the RPO that is undertaking the activity.
- 289 If an RPO uses state funding or resources (including funds received by it for the purpose of carrying out its core activities) to fund or assist an undertaking (e.g. it carries research with or for a business at less than the market rate), the undertaking may be a recipient of State Aid.
- 290 Where an RPO charges an undertaking the market rate for services, there will be no State Aid to the undertaking.

Consideration of EU Regulations Relating to Research, Development and Innovation with RPOs

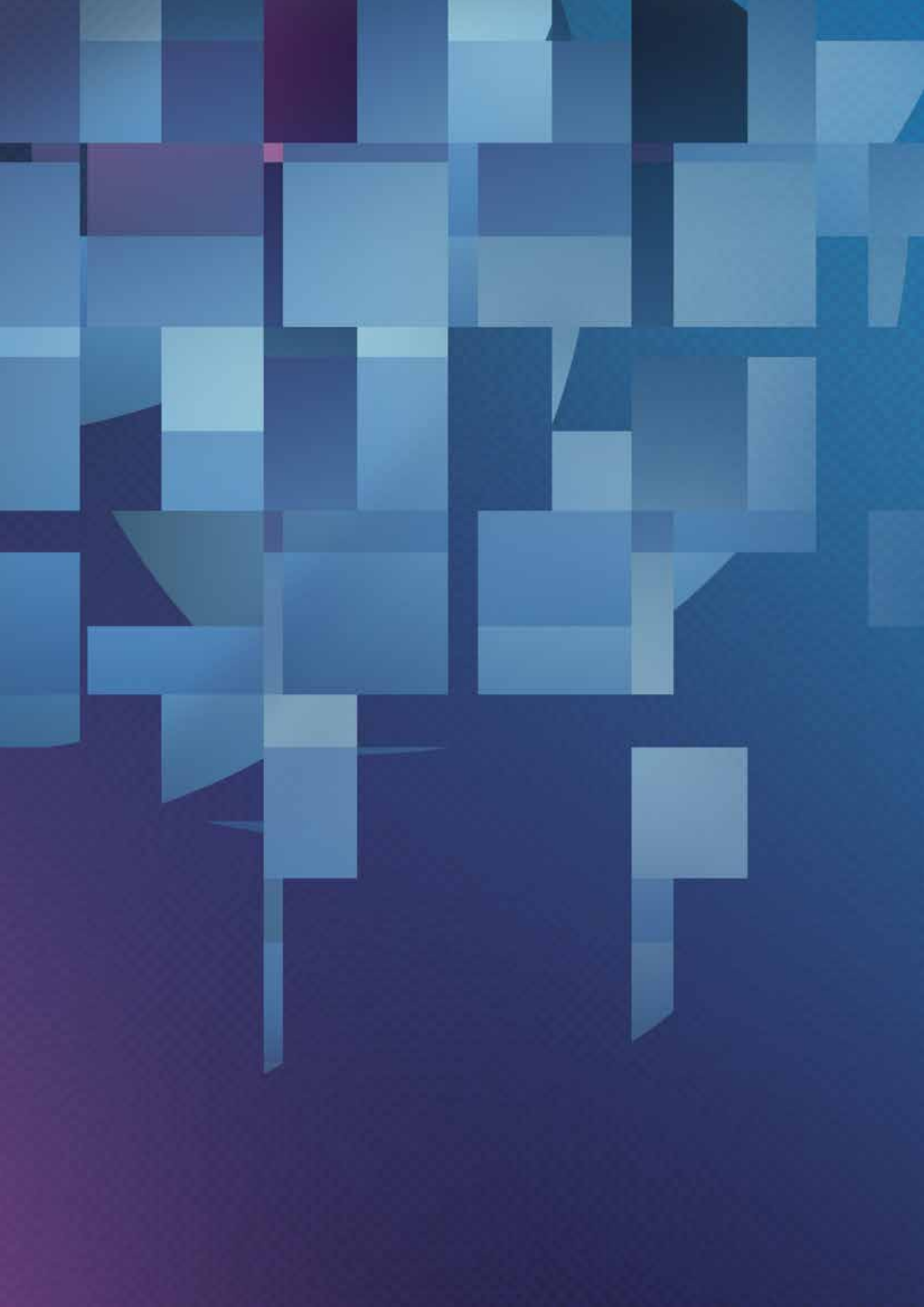
- 291 The European Commission has developed State Aid rules which facilitate Collaborative Research and other activities commonly undertaken by RPOs. The EU Research, Development and Innovation (R&D&I) State Aid Framework sets out the conditions under which Member States can grant State Aid for the purpose of carrying out R&D&I activities.
- 292 The purpose of the R&D&I State Aid Framework is to explain the criteria which the Commission will apply if the Commission has to decide whether State Aid has been granted and, if so, whether or not to permit that aid. In making that assessment the Commission balances the positive impact of the aid in reaching an objective of common interest against its potentially negative effects of distorting trade and competition.
- 293 The R&D&I State Aid Framework explains how Collaborative Research can be structured in such a way so as to involve no State Aid. R&D projects where the aided part of the project is fundamental research, industrial research or experimental development are described under the R&D&I State Aid Framework.
- 294 In the contexts of Collaborative Research and IP licensing, the RPO and the industry party need to consider whether indirect State Aid may be granted to the industry party. Indirect State Aid occurs if the industry party obtains an advantage in the context of the collaboration or licence.
- 295 State Aid may be given indirectly to a company where, for example:
- It collaborates on a research project with a publicly funded RPO, and it acquires a commercial benefit other than in one of the ways permitted by the State Aid rules.
 - It does not pay the full economic cost of research carried out on its behalf by a publicly funded RPO.
 - It does not pay the market rate for IP.
- 296 In the context of Collaborative Research, indirect State Aid may be avoided if there is "effective collaboration". This means that the terms and conditions of the project (in particular, contributions to its costs, the sharing of risks and results, the dissemination of results, access to and rules for the allocation of IP) must be concluded before the start of the project. This does not mean that there has to be definite agreement on the market value of the resulting IP and the value of the parties' respective contributions to the project.
- 297 Where there is effective collaboration carried out jointly by an industry party and an RPO, there will usually be no indirect State Aid to the undertaking if at least one of the following conditions is met:
- The undertaking bears the full cost of the project.
 - The results of the collaboration which do not give rise to IP may be widely disseminated and any IP resulting from the activities of the RPO is fully allocated to the university.
 - Any IP resulting from the project and access rights are allocated between the collaborators so as to reflect adequately their work packages, contributions and respective interests.
 - The RPO receives compensation equivalent to the market price for the IP which results from its activities and to which the industry party is allocated rights. The value of any contribution (financial and non-financial) of the company to the costs of the RPO's activities that resulted in the IP, may be deducted from that compensation.

Consideration of EU Regulations Relating to Research, Development and Innovation with RPOs

- 298 Compensation received by the RPO for its IP will be deemed equivalent to the market price if one of four conditions is met:
- the amount of the compensation has been established by means of an open, transparent and non-discriminatory competitive sale procedure; or
 - an independent expert valuation confirms that the amount of the compensation is at least equal to the market price; or
 - the RPO can demonstrate that it effectively negotiated the compensation, at -arm's length, to obtain the maximum economic benefit when the contract was concluded, while considering its statutory objectives; or
 - if the collaboration agreement gives the industry party a right of first refusal in relation to IPR generated by the university, the RPO exercises a reciprocal right to solicit more economically advantageous offers from third parties so that the company has to match its offer accordingly.
- 299 If none of the conditions in above is met, the full value of the contribution of the RPO to the project will be considered an advantage to the industry party, and the State Aid rules will apply.
- 300 In the context of contract research (often referred to as consultancy services in the Irish RPO context), adequate remuneration for its services applies, in particular where one of the following conditions is met:
- the RPO carries out the work at market price; or
 - where there is no market price, the RPO carries out the work at a price which:
 - reflects the full costs of the service and includes a margin established by reference to those margins commonly applied by undertakings active in the same sector as the service; or
 - is the result of arm's length negotiations where the RPO has negotiated to obtain the maximum economic benefit when the contract was concluded and at least the university's marginal costs are covered.
- 301 Full details on State Aid policy in Europe can be found at ec.europa.eu/competition/state_aid/overview/index_en.html. State Aid as it applies to Research and Development and Innovation, is addressed in detail in the European Commission Communication "Framework for State Aid for research and development and innovation" (C(2014)3282) and can be found at ec.europa.eu/competition/state_aid/modernisation/rdi_framework_en.pdf.

6.2 European Competition Law

- 302 There are competition laws in both Ireland and the EU which prohibit agreements that affect trade between member states and competition within the EU to an appreciable extent if the agreement has the object or the effect of preventing, restricting or distorting competition in a relevant market.
- 303 Certain categories of agreements pertaining to IP have been expressly stated to fall outside of these competition prohibitions, and reference should be made to the Technology Transfer Block Exemption (see: ec.europa.eu/competition/antitrust/legislation/transfer.html for further information).
- 304 Collaborative Research Agreements often contain terms dealing with exclusivity, field restrictions, territorial restrictions and obligations regarding use of IP that may, depending upon all the terms and conditions, potentially restrict competition and so RPOs and industry parties alike should consider these laws when deciding on the structures for accessing IP owned or created by an RPO.



07

The Irish Knowledge Transfer System

- 305 The Irish knowledge transfer system involves many actors, including the State research funding organisations and innovation agencies, the RPOs, investors, industry, entrepreneurs and individual researchers. They need to work together under the national policy to ensure an effective system for industry-RPO engagement and commercialisation.
- 306 The State research funding organisations have different objectives for their funding reflecting their differing missions. However all these organisations share common interest in the commercialisation of the results of research, including commercialisation of IP, whenever this is possible.
- 307 Since initial publication of the IP Protocol, RPOs have used the document as a reference and have sought to implement this national policy for research commercialisation and associated frameworks. This includes that the RPO shall make provision for the support of research engagement with industry and for the commercialisation of the outputs from State investment in research, including the commercialisation of intellectual property in line with this national policy.
- 308 The State directly supports a network of Technology Transfer Offices (TTOs) in most of the RPOs through the national Technology Transfer Strengthening Initiative which is managed by KTI on behalf of Enterprise Ireland. The primary goal of the TTOs is to maximise the economic and societal benefits to Ireland of RPO engagement with industry, in general, and of IP commercialisation, in particular.
- 309 Contracts underpinning Collaborative Research Programmes with industry should be negotiated within the Research Support Services department (or other designated officer) of the RPO with input from the TTO. In some cases, the RPO may require the TTO to negotiate such contracts.
- 310 The TTO or other designated officer of the RPO shall be responsible, in line with its policy for IP commercialisation, for negotiating licensing, assignment and other IP access agreements between industry and that RPO. Within any limits set by its parent RPO, the TTO shall have authority to negotiate and sign IP access arrangements with industry.
- 311 The TTO or other designated officer of the RPO shall be responsible, in line with its policy for IP commercialisation, for negotiating set up arrangements for spin-out companies including shareholding agreements and any associated licensing, assignment or other IP access agreements.
- 312 The State also supports a national office, Knowledge Transfer Ireland (KTI), which provides a unique portal for industry, entrepreneurs and investors to navigate across the entire RPO sector; takes responsibility to ensure the ease of industry-RPO contracting and is responsible for monitoring and reporting the performance of the national knowledge transfer system using appropriate key performance indicators.
- 313 KTI is responsible for ensuring the continuous improvement of the national IP Protocol and for publishing updated versions as required, including keeping these frameworks and resources up to date and ensuring that the resources are deployed consistently across the RPOs.
- 314 The IP Protocol Resource Guide, Section IV, describes the national technology transfer system and the roles and functions of KTI and the TTOs in more detail.

Meaning of Terms

Annual Knowledge Transfer Survey (AKTS)

The national survey which collects, collates and summarises the outcomes of Commercialisation activity from State-funded research.

Background IP

Any Intellectual Property, including in any Material, (regardless of the form or medium in which they are disclosed or stored) (i) licensed or owned by any party to a research contract prior to the beginning of any programme; or (ii) generated or licensed independently of the programme by that party; and which is brought into or used as part of the programme and excluding (for the avoidance) of doubt any IP created by any party to a research contract during the performance of the programme.

Bilateral Collaborative Research

A research collaboration Project between one industry party and one RPO party.

Collaborative Research: Part Industry Funded

Collaborative Research in which the programme is funded partly by the State and partly (in cash and/or in kind, including participation in the research itself) by the industry party (parties); Collaborative Research may involve two or more parties.

Collaborative Research: Wholly Industry Funded

Collaborative Research in which the industry party meets the full economic cost of carrying out the programme.

Commercialisation

The use of IP to create, conduct or develop a commercial activity. This may involve exclusive or non-exclusive licensing or assignment of the IP, may lead to new company formation or the introduction of new or improved products or services. In the higher education sector, commercialisation is a part of the "third mission" within the institutions' functions of teaching, research and contribution to industry.

Enterprise

A commercial or not-for-profit legal entity, including but not limited to a start-up, spin-out from an RPO, a small or medium enterprise, a large national corporation and a multi-national corporation headquartered inside or outside Ireland.

Field

Field of use/area of application.

Foreground IP

IP which comes into existence in the course of performance of the programme.

Founder

Spinout company founders may come from the RPO and/or be external to the RPO. All should be contributing to the creation and development of the company and will be taking some risk through their involvement. For example, financial investment, time contribution, reputation. Founders shall be entitled to take equity in the company and are likely to have a seat on the board of directors. Founders may be investors in the spin-out.

HEA

Higher Education Authority

HEI

Higher Education Institution

Independently Available

Availability in principle of data for use by independent new, bona fide research, within the terms of participant consent and not restricted by IPR, prior collaborations or other reasons, and for which the necessary metadata are well documented and available.

Industry

A collective term for commercial or "for profit" enterprises.

Industry party

A commercial or "for profit" enterprise engaging with an RPO in a programme.

Meaning of Terms

Intellectual Property, IP or IPR

Patents, trademarks, service marks, registered designs, drawings, utility models, design rights, business ideas, concepts, inventions, discoveries, breeders' rights, copyright (including the copyright in software in any code), database rights, know-how, trade secrets and other confidential information, technology, business or trade names, goodwill and all other rights of a similar or corresponding nature in any part of the world, whether registered or not or capable of registration or not, and including all applications and the right to apply for any of the foregoing rights

Knowledge Transfer Ireland (KTI)

The national office responsible for the knowledge transfer (KT)/technology transfer (TT) system in Ireland.

Materials

Any and all works of authorship and materials, including, without limitation, data, any functional, technical and/or performance specification, devices, machinery, samples, products, sensors and data derived therefrom, biological materials, software programs, any other inanimate or animate matter, any and all reports, studies, data, diagrams, drawings, charts, specifications, and such other materials in whatever medium (including without limitation, written or printed, electronic or otherwise, computer discs, floppy discs, CDs, diskettes, tapes or other formats.)

Model agreements

A set of template agreements maintained by KTI, and updated from time to time, which can be found at www.knowledgetransferireland.com/Model-Agreements/Catalogue-of-Model-Agreements

Multi-Party Collaboration

A Multi-Party Collaboration is one in which one or more industry parties and one or more RPOs are parties in a programme. It is funded partly by the State and partly (in cash and/or in kind, including participation in the research itself) by the industry party(s).

Non-Exclusive Royalty-Free (NERF) licence

A licence to use IP under which the licensee is not required to pay any amounts (whether initial recurring royalties or milestone payments). Except that the licensee may be required to pay some or all of any costs for prosecution, maintenance and defence of any patent or similar granted IP rights.

Non-Severable Improvement

IP that, at a minimum: Was created using Significant Background introduced to the programme. Cannot be used or commercialised without infringing on the Significant Background.

Project or Programme

A set of agreed research activities.

Programme Plan

A description of the programme of work and who will carry it out. The Programme Plan should include all the technical aspects of the programme and the deliverables.

Publication

The publication of research results or of any part of IP resultant from any programme, in any public format or fora, including (without limitation) journals, conference proceedings, conference abstracts, conference presentations, Ph.D./M.Sc./B.Sc. thesis, website.

Research Performing Organisation or RPO

Any organisation that performs research funded at least in part by the State; the term includes universities, institutes of technology, Teagasc, NIBRT, clinical research facilities or translational medicine facilities based at hospitals and other publicly funded research institutions

Researcher

A researcher named in a Programme Plan or programme and such other employees (part time or full time), Post Doctoral fellows, visiting scholars, PhD and other students, visiting researchers, as well as consultants, hospital consultants, subcontractors, and any other individuals engaged or involved in the programme at any time, for or on behalf of the RPO (whether or not engaged by contract). Researchers involved in a programme may also be from the industry party.

Meaning of Terms

RPO Founder

Spin-out company founder who was a member of the RPO at the time the spin-out company was formed. The RPO Founder may move into the company or may remain employed by the RPO. They will have a significant ongoing role with the company.

Significant Background

Background IP introduced to a programme where: the Background IP is the subject of a granted patent, and/or the programme substantially relies on this Background IP and without it the programme would be difficult or impossible to carry out.

Spin-in company

An existing incorporated company that intends to license, develop or otherwise exploit RPO IP and/or leverage staff, infrastructure and/or other RPO resources on agreed terms. The spin-in must be co-located within the RPO.

Spin-out company: IP-based

An incorporated entity which at the time of formation was dependent on the exploitation of specific intellectual property rights of the RPO. The rights to the company can be linked to a specific researcher who was within the RPO at the time of company formation. The RPO will hold equity in the spin-out and/or has issued the company with a licence to the IP.

Spin-out company: IP-independent

An incorporated entity which at the time of formation was not dependent on the exploitation of specific intellectual property rights of the RPO but which relied on know-how or expertise of a specific researcher or member of the RPO. The RPO will hold equity in the spin-out.

Stand Still Letter

A simple letter of understanding offered at the initial stage of spin-out project development or at company formation in which the RPO commits not to market or license the IP to any third parties for an agreed period.

State research funding organisations

Organisations which distribute funding provided by the State to RPOs, including but not limited to Enterprise Ireland (EI), the Higher Education Authority (HEA), IDA Ireland, Irish Research Council (IRC), Science Foundation Ireland (SFI) and other Government funding agencies.

Technology Transfer Strengthening Initiative (TTSI)

The Enterprise Ireland programme of funding to support technology transfer and research commercialisation within RPOs, see KTI Website http://www.knowledgetransferireland.ie/Research_in_Ireland/Technology-Transfer-Offices/

Technology Transfer Office (TTO)

A team within an RPO which leads work to identify and commercialise IP arising from research by that RPO and is empowered, within limits of authority set by the RPO and subject to supervision by KTI as to its compliance with the requirements of this document, to select the optimum Commercialisation strategy in each case, conduct negotiations with external organisations (including industry parties) and conclude agreements with those organisations. The primary goal of the TTOs is to maximise the economic and societal benefits to Ireland of RPO contributions to industry, in general, and of IP commercialisation.

Term Sheet

A non-binding contract in which the Parties set out the principal terms and conditions that relate to intellectual property created in the course of the research project or programme, prior to drafting the formal binding agreement relating to the research programme. Also called Heads of Agreement or Heads of Terms.

Unrestricted Availability

The availability of anonymised data (e.g. summary tables) for which the risk of disclosure (identification of individual participants) directly or through association with other data sources is extremely low, which can safely be made readily accessible without restriction ("public").

Wholly State-funded research

Research for which a State research funding organisation has paid 100% of the economic costs of the research.

IP Protocol 2019 - Membership of advisory groups and stakeholder consultation

This version of the IP Protocol has been published by Knowledge Transfer Ireland (KTI) based upon the consultation and review process undertaken Q2-Q3 2018.

Accountable officer: Alison Campbell. Director, Knowledge Transfer Ireland (KTI)

The consultation process was undertaken by Siobhan Horan, KTI. Summary documents and recommendations for consideration were presented to the Working Group on Spin-outs, the KTI Industry Advisory Board and the Knowledge Transfer Stakeholder Forum.

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IP Protocol 2019 - Membership of advisory groups and stakeholder consultation

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IP Protocol 2019 - Membership of advisory groups and stakeholder consultation

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