European
Commission

European IPR Helpdesk

Fact Sheet

Commercialising Intellectual Property: knowledge transfer tools

The European IPR Helpdesk is managed by the European Commission's Executive Agency for Competitiveness and Innovation (EACI), with policy guidance provided by the European Commission's Enterprise & Industry Directorate-General. The positions expressed are those of the authors and do not necessarily reflect the views of the European Commission.

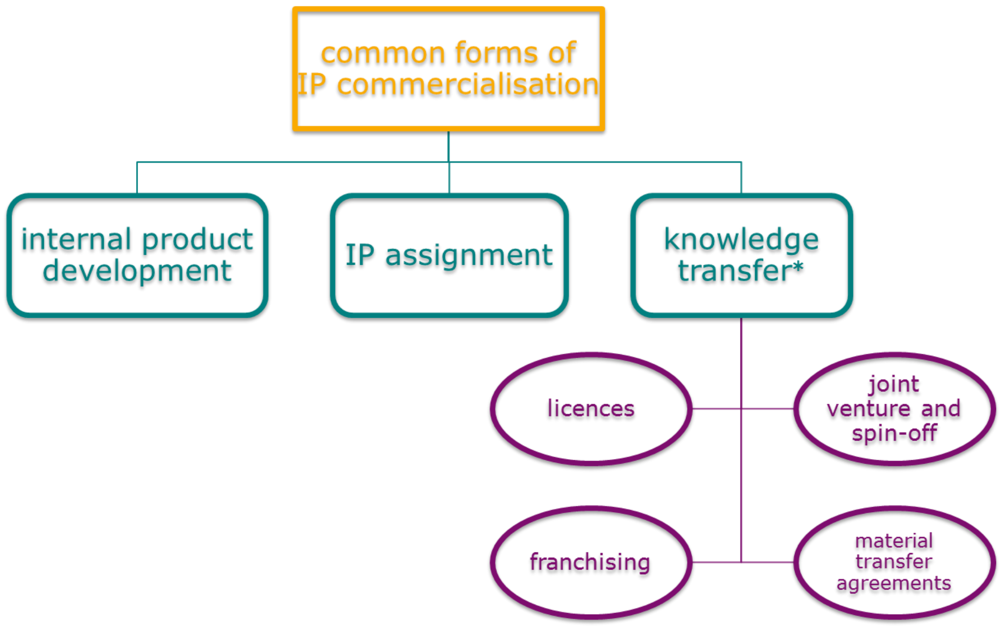
October 2013

Introduction

The process of bringing intellectual property (IP) to the market for it to be exploited is termed IP commercialisation. The **financial success** of any IP commercialisation is certainly dependent on the selection of the most appropriate commercial tool, which should be based on:

- **The organisation's business objectives**
- **The form of intellectual property**
- **The economic resources at disposal**

There are several ways for launching a protected IP on the market. The most common can be summarised in the following diagram:



* Assuming that knowledge transfer includes, and covers more than, technology transfer.

Risks should also be managed in any IP commercialisation. The true nature of risk depends on the type of commercialisation and on the underlying arrangement. The preventive identification, assessment and management would however result in lower risk exposures for organisations.

The **IP risks** specific to commercialisation activities are those related to:

- **The nature of the IP**
- **Confidentiality arrangements**

A risk assessment can for instance be based on the likelihood of the event occurrence (e.g. ownership disputes, third party infringement, etc.) and the associated consequences (e.g. irrelevant, moderate or important). The outcome of such an assessment enables organisations to take adequate decisions on the risk management actions to be adopted (e.g. subscription to an appropriate insurance, revision of relevant clauses within contracts, etc.).

"Commercialising IP" is a series of fact sheets published by the European IPR Helpdesk aiming at providing an introduction to various forms of commercialisation which can be useful for less experienced readers who may be involved in the exploitation of intangible assets. The content provided therein is not intended to be exhaustive, and seeking professional advice is strongly recommended when it comes to choosing the most suitable commercialisation practice for your organisation and dealing with the complex legal issues surrounding these agreements. Hence, with these guides we aim to provide you with an understanding of the basic principles, which can help you to save time and money.

This fact sheet deals with knowledge transfer. Knowledge arising from businesses takes many forms. It can be manifested in documents and publications such as books or scientific articles published by the organisation's employees, as well as within documents underlying intellectual property titles, including patent, utility models and design rights. Knowledge can also be embedded in objects, such as materials or machinery. In the beginning however, knowledge is the know-how of the employees and collaborators, which they have acquired through training, study or experience.[1]

These different forms of knowledge can be exchanged with other organisations, leading to improved use of knowledge and creation of innovation. In fact, innovation is nowadays mainly based on the interactions between businesses, as well as between them and research organisations. These relationships and transfers of knowledge allow businesses to exploit their own knowledge with the purpose of improving and creating new technologies, products and services, allowing the business to grow. These knowledge transfers are generally ruled by agreements, which can be complex. This is why this fact sheet aims to provide an overview of the common types of agreements through which they are achieved. Moreover, the most important matters to consider in these agreements are highlighted, helping you to protect your intangibles.

1. How to transfer knowledge

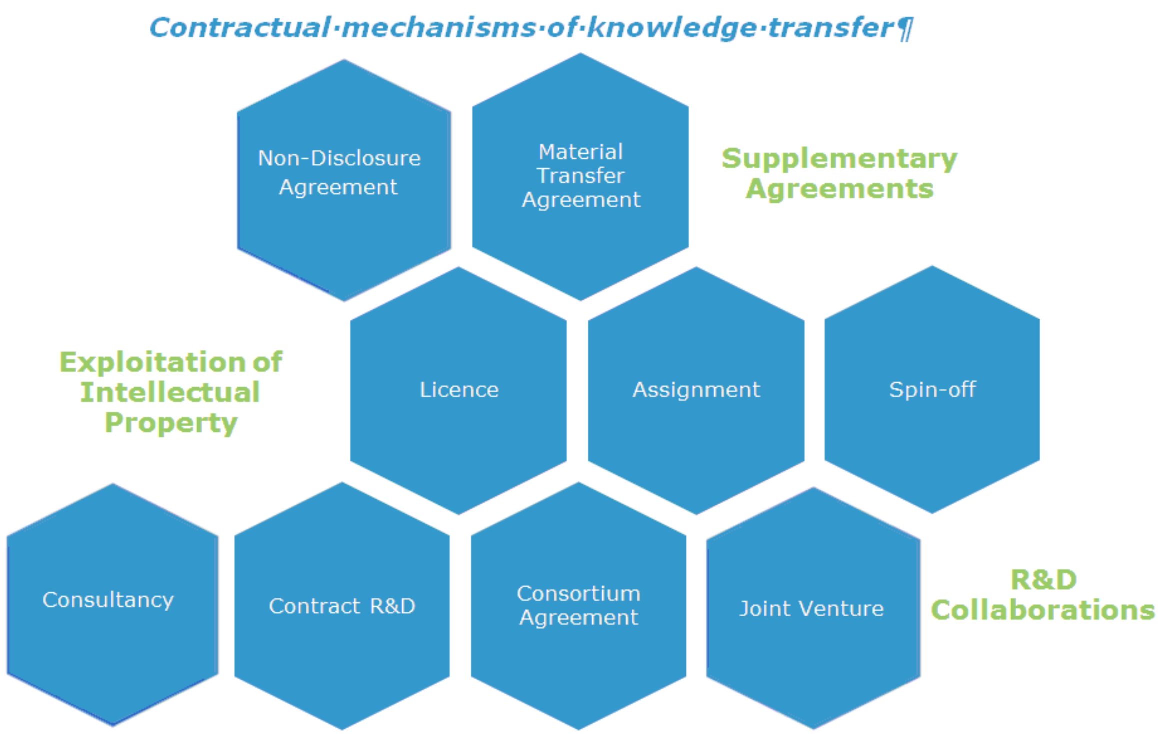
Knowledge transfer is a term used to describe the process by which knowledge, commonly resulting from scientific research, is transferred to another party.

Knowledge can be transferred through many mechanisms, such as through the publication of scientific articles, participation in conferences or the publication of patent applications. All these different activities allow business to acquire new

[1] *Metrics for Knowledge Transfer from Public Research Organisations in Europe*, Report from the European Commission's Expert Group on Knowledge Transfer Metrics, Directorate-General for Research, 2009.

information to be potentially used for the development of new and improved products and services.

However, knowledge is often exchanged through contractual mechanisms. The most usual mechanism is a licence agreement, but many others are used to transfer knowledge and in particular technology, as you can see below.[2] Understanding these different agreements is therefore important to help you in your own knowledge transfer activities.



1.1 Supplementary agreements

1.1.1 Non-disclosure agreements

Non-disclosure agreements (NDA) are legally binding contracts establishing the conditions under which one party (the disclosing party) discloses information in confidence to another party (the receiving party).

This agreement is used in knowledge transfer to allow potential business partners to learn about a new technology or concept and to evaluate their commercial and

[2] *Metrics for Knowledge Transfer from Public Research Organisations in Europe*, Report from the European Commission's Expert Group on Knowledge Transfer Metrics, Directorate-General for Research, 2009.

technical value before entering a longer term partnership such as a licence agreement.[3]

1.1.2 Material transfer agreement

The main objective of concluding a material transfer agreement (MTA) is to regulate the exchange of tangible research material to be used by the recipient for internal purposes. The material exchanged can take many forms, such as biological materials, chemical compounds, prototypes or even software. It is important to use this type of agreement when exchanging tangible materials because they help determining the limitations on the use of the material, therefore protecting the providers' business interests.

Organisations can enter into this agreement for many different reasons, such as for example:

- to carry out research with the material in the context of a R&D partnership (e.g. in a FP7 project); or
- to evaluate whether the material works well in the recipient facilities; or
- to evaluate whether to enter into a longer term partnership such as a licence agreement.

Checklist of the provisions commonly included in material transfer agreements:

- ☐ clearly indicate the parties and explain the context of the agreement
- ☐ define the materials that will be transferred
- ☐ establish how the recipient can use the materials
- ☐ define the ownership of results and any access rights to them
- ☐ address Intellectual Property matters
- ☐ outline whether the material comes with warranties and limitations to liability
- ☐ provide for confidentiality obligations
- ☐ establish the length of the agreement
- ☐ determine the choice of law and jurisdiction

To see an example of a MTA, check Desca's website.[4]

1.2 Exploitation of intellectual property

1.2.1 Licence agreement

A licence agreement is a contract under which the holder of intellectual property (licensor) grants permission for the use of its intellectual property to another person (licensee), within the limits set by the provisions of the contract. Without

[3] To learn more about this kind of agreement, consult our fact sheet *Non-Disclosure Agreements: a business tool*, available in the online library.
[4] The Desca website is available at www.desca-fp7.eu.

such an agreement, the use of the intellectual property would be an infringement. Examples of licence agreements are the software licences concluded every time you buy software, or a trade mark licence permitting a manufacturer to print the logo of a company on merchandise.[5]

A licence agreement of intellectual property rights can be a standalone agreement or an integral part of larger partnerships, including franchising, manufacturing agreements, as well as trade collaborations with technical assistance obligations.

It is important that the holder of the intellectual property rights decides whether licensing out the technology is the best exploitation strategy. The advantages of licensing in comparison with other arrangements include the fact that the owner of the intellectual property maintains its ability to exploit its intangibles in determined territories or fields of use, while licensing the technology for other territories or fields not of interest to its business. Licensing therefore allows expansion to other markets and obtaining further economic benefits through licensing fees.

1.2.2 Assignment agreement

An intellectual property assignment is a permanent transfer of ownership of an intellectual property right, such as a patent, trade mark or copyright, from one party (the assignor) to another party (the assignee). Consequently, the assignee becomes the new owner of the intellectual property right. Assignments transfer the title of intellectual property rights and therefore reflect an equivalent process as selling agreements do for tangible assets.

Assignment agreements can be the best option when considering the different possibilities to transfer knowledge. Indeed, through an assignment of intellectual property rights, organisations have an immediate cash flow return, since payments for assignments usually take the form of a once-off lump sum payment, contrary to licence agreements where royalties are usually preferred. Additionally, the organisation transferring the ownership has no further responsibility for the management of the IP title, including the payment of fees or the monitoring of infringements.[6]

1.2.3 Spin-offs

A spin-off refers to a separate company established in order to bring to the market technology developed by a parent organisation. It is deemed to be a valuable alternative to assignment or licensing-out technology.

---

[5] For an overview of licence agreements, consult our fact sheet *Commercialising Intellectual Property: Licence agreements*, available in the online library.
[6] For further details, consult our fact sheet on *Commercialising Intellectual Property: Assignment agreements*, available in the online library.

The interests in creating spin-offs may be several and with different scopes. Although the underlying reason is to commercially exploit intangible assets so as to create new economic value, spin-offs are also considered as a fundamental mediator between the research environment and industries as they are a powerful means of technology transfer between these two sectors. This is most of the time achieved through the acquisition of the spin-off company by larger companies.

Deciding to form a spin-off company is sometimes a preferred option to licensing early-stage technology to an established company. There are many factors which influence this decision, including among others whether there are potential licensees and market for the technology, the stage of development of the technology or the commitment and personality of the researchers that would lead the spin-off.[7]

1.3 R&D collaborations

1.3.1 Consortium agreement

Collaborations between business and research organisations for R&D purposes take several formats. When a group of organisations such as universities and companies come together in a partnership for conducting a research project for a determined time (often between 3 and 5 years), the partners sign a so-called consortium agreement.

This agreement aims to clarify the relationship among the organisations participating in the project, including in particular the organisation of the work, the management of the project and the obligations between the partners. This partnership enables companies to gain access to new knowledge and new business relationships[8] by establishing cross-licenses between partners to the intellectual property shared and developed within the project.

Templates of consortium agreements:

For use in EU-funded projects:

- Desca Model, available at www.desca-fp7.eu
- EUCAR Model, available at www.eucar.be

Other consortium agreement models can be found in the Lambert Kit, available on the United Kingdom Intellectual Property Office website.[9]

1.3.2 Contract R&D

This short-term agreement is usually used by companies to engage in partnership with universities or research centres for the purpose of acquiring new knowledge, which the company has no resources to internally generate. In this case, the

[7] *Spin-Out Transactions*, Unico Practical Guides: Commercialisation Agreements, 2006.
[8] *Knowledge Transfer from Public Research Organisations*, European Union, 2012.
[9] The United Kingdom Intellectual Property Office website is available at www.ipo.gov.uk.

company outsources the R&D activity and therefore commonly the company owns all the intellectual property generated, with very limited rights being granted to the research organisation.[10]

1.3.3 Consultancy

Consultancy agreements tend to apply to short-term and small-scale partnerships.[11] These contracts are often established between organisations willing to provide advice to companies on specific matters, in return for payment of a fee. Companies engage in these partnerships for different objectives, such as to get assistance to overcome a technical problem, to analyse a concrete technical matter or data.

1.3.4 Joint venture

A joint venture can generally be described as a form of business association between two or more independent organisations (joint venturers) to undertake a common project or to achieve a certain goal. More specifically, the parties to the joint venture share risks and contribute with their intellectual capital towards technology research and development, as well as production, marketing and commercialisation. Commonly, with the joint venture agreement an independent legal entity (joint venture company) is set up.

Joint ventures can be considered a convenient means for organisations to exploit and share intellectual assets with reduced financial investment. Hence, organisations having limited monetary resources may be able to develop new technology or to bring a product to market at costs that would be otherwise prohibitive, with a likely rapid business growth.

2. Main issues to consider when performing knowledge transfer

2.1 Performing due diligence

IP due diligence is the exercise intended to assess a company's key assets and liabilities. Such an examination is particularly important when exploiting intellectual property through a licence agreement or spin-off transaction since it involves an appraisal of the value of the IP involved and the IP-related risks that partners might incur as a consequence of the transaction. Performing IP due diligence is therefore best practice before concluding such agreements, whether you are on the side of the licensor or licensee.

[10] To see an example of such an agreement, we suggest that you consult Lambert Model Research Collaboration 5, available on the United Kingdom Intellectual Property Office website.
[11] *Knowledge Transfer from Public Research Organisations*, European Union, 2012.

Typical questions to ask in a due diligence:

- Who owns the Intellectual Property?
- Does the licensor have the rights to conclude the agreement?
- Is the intellectual property right still in force?
- Are there restrictions affecting the use of the Intellectual Property?

For further details, please check our fact sheet on due diligence in the library.[12]

2.2 Dealing with intellectual property rights

In the different agreements that can be used by organisations for knowledge transfer purposes, it is best practice to include rules dealing with intellectual property. These rules are important because they clarify the parties' rights and obligations from the outset of the partnership, avoiding future misunderstandings and conflicts. Moreover, such rules are important because in most countries the law establishes that in the absence of an agreement, intellectual property belongs to its creator, even if the organisation has been paid for the service that generated this intellectual property. Therefore, it is in the best interest of parties to establish provisions in the contracts dealing with intellectual property instead of relying on the default rules established by national law.

In longer term partnerships where the partners expect to exchange knowledge and/or create further knowledge, such as in the case of consortium agreements and licence agreements, it is normal practice to include provisions dealing with the intellectual property that the partners created before the partnerships and to be shared with the partners (commonly known as background) and the knowledge resulting from the partnership or further improved. Important issues to discuss and regulate include[13]:

a) the ownership of the intellectual property, including background and results or improvements:
   - Sole ownership: is certain intellectual property owned by one party? Which party?
   - Joint ownership: are the partners co-owners of certain intellectual property? How is joint ownership governed?

b) the user rights of partners to intellectual property:
   - Does the acquirer of certain intellectual property have exclusive or non-exclusive rights?

[12] For further details, consult our fact sheet on *Due Diligence: assessing value and risks of intangibles*, available in the online library.
[13] *Key Issues in Managing Technology Transfer Agreements*, Unico Practical Guides: Commercialisation Agreements, 2006.

- What is the purpose of such user rights?

c) the definition of the financial terms of such user rights:
   - Are the user rights free of charge or under royalties?

2.3 Keeping confidentiality

When negotiating any transaction, there is the risk that in the end an agreement is not reached. Disclosing confidential information purely on trust is therefore a risk that can be easily avoided through the conclusion of non-disclosure agreements.

Keeping confidentiality is also particularly important in technological agreements, since novelty is a requirement for protection of technical inventions by patents or utility models. Indeed, disclosing a technical invention through the negotiations of an agreement, in a conversation with potential partners or in brokerage event, for example, can certainly invalidate any chances of seeking patent protection, unless such disclosure is done with a non-disclosure agreement in place between the parties.

Thus when being involved in the exchange of knowledge during negotiations it is best practice to keep confidential information safe, by avoiding disclosing it or by previously concluding a non-disclosure agreement. Additionally, confidentiality obligations should be established in the final agreement.

Useful Resources

For further information on the topic please also see:

- Fact sheet on "Commercialising Intellectual Property: Assignment Agreements": http://www.iprhelpdesk.eu/node/2034
- Fact sheet on "Commercialising Intellectual Property: Spin-offs": http://www.iprhelpdesk.eu/node/1676
- Fact sheet on "Commercialising Intellectual Property: Licence Agreements": http://www.iprhelpdesk.eu/node/1664
- Fact sheet on "Commercialising Intellectual Property: Joint Ventures": http://www.iprhelpdesk.eu/node/1525

GET IN TOUCH

©istockphoto.com/Dave White

For comments, suggestions or further information, please contact

European IPR Helpdesk
c/o infeurope S.A.
62, rue Charles Martel
L-2134, Luxembourg

Email: service@iprhelpdesk.eu

Phone: +352 25 22 33 - 333

Fax: +352 25 22 33 - 334

ABOUT THE EUROPEAN IPR HELPDESK

The European IPR Helpdesk aims at raising awareness of Intellectual Property (IP) and Intellectual Property Rights (IPR) by providing information, direct advice and training on IP and IPR matters to current and potential participants of EU funded projects focusing on RTD and CIP. In addition, the European IPR Helpdesk provides IP support to EU SMEs negotiating or concluding transnational partnership agreements, especially through the Enterprise Europe Network. All services provided are free of charge.

Helpline: The Helpline service answers your IP queries within three working days. Please contact us via registration on our website (www.iprhelpdesk.eu), phone or fax.

Website: On our website you can find extensive information and helpful documents on different aspects of IPR and IP management, especially with regard to specific IP questions in the context of EU funded programmes.

Newsletter & Bulletin: Keep track of the latest news on IP and read expert articles and case studies by subscribing to our email newsletter and Bulletin.

Training: We have designed a training catalogue consisting of nine different modules. If you are interested in planning a session with us, simply send us an email at training@iprhelpdesk.eu

DISCLAIMER

The content of this fact sheet cannot be considered as the European Commission's official position and neither the European Commission nor any person acting on behalf of the European Commission is responsible for the use which might be made of it. Although the European IPR Helpdesk endeavors to deliver a high level service, no guarantee can be given on the correctness or completeness of the content of this fact sheet and neither the European Commission nor the European IPR Helpdesk consortium members are responsible or may be held accountable for any loss suffered as a result of reliance upon the content of this fact sheet. Our complete disclaimer is available at www.iprhelpdesk.eu.