

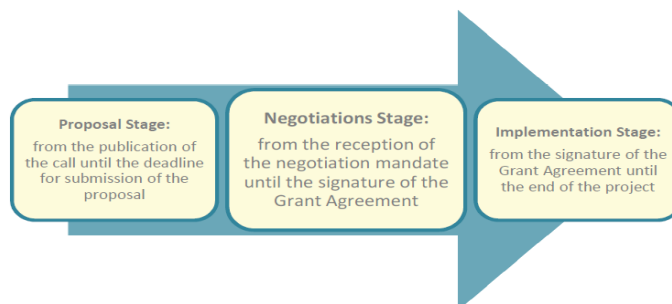
## How to manage IP in FP7 during the negotiations stage

### TABLE OF CONTENTS

|  |   |
|--|---|
| Introduction .....   | 1 |
| 1. Content and purpose of the negotiations .....                               | 2 |
| 2. Consortium Agreement .....  | 3 |
| 3. IP arrangements within the Consortium Agreement .....                       | 4 |
| 3.1. Confidentiality .....   | 5 |
| 3.2. Background.....   | 5 |
| 3.3. Sideground.....   | 5 |
| 3.4. Ownership, Legal Protection, Use and Dissemination of the Foreground..... | 6 |
| 3.5. Access Rights .....   | 7 |
| Useful Resources .....   | 8 |

### Introduction

In term of Intellectual Property Rights (IPR) issues, the negotiation stage is extremely important since it gives you the last opportunity to **fine-tune** the details outlined in *part B* of your **project proposal**<sup>1</sup>. It is important to bear in mind that the well planned management of IP issues is essential to succeed in the negotiation with the European Commission (EC).



<sup>1</sup> See factsheet ‘How to manage IP in FP7 during the proposal stage’

After the evaluation of the proposal is completed, and the project selected for funding by the EC, the Project Coordinator is invited to start the project **negotiations** with the EC with the purpose to conclude a Grant Agreement. He will then receive a *Negotiation Mandate* from the EC that indicates the maximum EC contribution the project will receive, the name of the EC project officer(s), and all of the comments made by the review panel within the *Evaluation Summary Report* (ESR), concerning possible clarifications and changes in the proposed project.

Most certainly, during the negotiation you will be asked to provide more details on how you intend to implement your project and conclude important agreements that will shape your project and partnership.

The aim of the present factsheet is thus to give guidance on the IP issues you need to consider during the negotiations phase, which are encompassed in two main agreements needed to be concluded in order to successfully obtain the EU funding for your project.

Such documents are:

| DOCUMENT                    | SIGNATURE                    | PARTIES  | CONTENT   |
|-----------------------------|------------------------------|--|---|
| <b>Grant agreement</b>      | End of negotiations<br>Phase | Beneficiaries<br>&<br>the European<br>Commission | Establishes the rights and obligations of beneficiaries with regard to the EU<br><br><i>IP rules are not negotiable</i>                                   |
| <b>Consortium agreement</b> | During negotiations<br>phase | Project Coordinator<br>&<br>Other Beneficiaries  | Sets out the legal basis for the internal relationship and responsibilities among beneficiaries<br><br><i>IP rules need to be agreed upon by partners</i> |

## 1. Content and purpose of the negotiations

The overall purpose of the negotiations is to agree on the scientific-technical details of the project and to collect financial and legal information needed for drafting the **Grant Agreement** (GA). Before beginning the negotiations, applicants are invited to read again the Model GA and its Annexes<sup>2</sup>. Indeed this is of help to understand the different IP-related issues that are going to be negotiated, and most important, because prior to the first negotiation contact the consortium must have completed the first draft of the *Annex I* and any appendices.

At the end of negotiations when all the information is gathered and accepted by the EC, the GA is drafted and sent to the Project Coordinator for signature.

<sup>2</sup> Participants should be extremely familiar with GA and its Annexes. Therefore it is advisable their thorough reading during the proposal stage and before the negotiation.

The core text of the GA establishes various conditions specific for the project, such as the list of participants, its starting date and duration, and the maximum EC contribution. The GA is furthermore divided in Annexes, which differ according to the program and funding scheme. Commonly, the main Annexes with relevance for IP are the following:

- **Annex I - Description of Work (DoW) (made by the Project Coordinator) and Plan for Use and Dissemination of the Foreground (PUDF);**
- **Annex II - General conditions applying to FP7 projects, including the management of Intellectual Property Rights;**
- **Annex III - Conditions specific to each FP7 programme.**

During the negotiations phase you will discuss the content of *Annex I*. Concerning IP matters, an agreement must be reached with the EC upon the **final DoW** including the **PUDF**. Thereafter, you will have an opportunity to revise your plan for the management of the IPR that will generate from the implementation of your project. However, you are asked to prepare your strategy already in the proposal stage, so that you must be ready to **negotiate** your plan prior to the first contact with the EC<sup>3</sup>.

*Annex II* is relevant in terms of IP too since it deals with issues related to ownership, transfer, protection, use and dissemination of the IPR which are generated previously of the project ("*background*") and those generated during the execution of the project ("*foreground*"). However, for certain types of FP7 projects, such as research actions for SMEs or for SME associations and Marie Curie Actions, more specific IPR provisions may be found in Annex III. Yet, what needs to be highlighted is that **Annex II and III are non-negotiable** with the EC since they give account to the rules on use and dissemination of the IPR applicable to *any* FP7 project.

Besides, before the signature of the GA, the EC requires the consortium to prepare and sign a **Consortium Agreement (CA)**, which is mandatory for the entirety of the FP7 projects, unless is differently specified in the call for proposal. Yet, in this case the EC is not a party to this agreement and most important it does not check its contents. Since the CA is an internal agreement setting out the management guidelines for the consortium partners, you will not need to agree upon the provisions provided therein with the EC.

To sum up, whereas the GA defines the rights and obligations related to the project, between beneficiaries and the EC, the CA deals with the rights and obligations **between the beneficiaries themselves**, with regard to the execution of the project, specifically those related to the **internal management of IP**. The CA is thus *complementary* to the IP provisions contained in the GA and *preliminary* to its final signature, and IP provisions that are not included therein will fall back to the common regime provided in the GA (some examples are shown later in the document). This is the reason why **it is important that your consortium give the highest possible priority to completing the internal CA**.

## 2. Consortium Agreement

The CA is thus envisaged as the instrument to develop and supplement aspects that are specific to your project and that are not fully covered in the GA, in particular issues related to the future use and dissemination of the foreground by all the project partners. But even though the CA has the characteristic to regulate internal issues between project partners, it nevertheless finds its boundaries in the GA, not being allowed to contradict or negate the provisions therein provided.

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<sup>3</sup> For a thorough explanation of the PUDF see factsheet 'How to manage IP in FP7 during the proposal stage'

As explained in an earlier factsheet<sup>4</sup>, you could previously foresee the content of the CA within the *Memorandum of Understanding* (MoU), another agreement that should be concluded between **participants** at the beginning of the proposal stage.

Although not exhaustive, the checklist below shows the essential points to be discussed for drafting a CA.

### CA checklist

- ✓ *Internal organisation and management of the consortium:*
  - Technical contribution of each party
  - Technical resources made available
  - Production schedule for inter-related tasks and for planning purposes
  - Expected contribution, maximum effort expected
  - Committees – establishment, composition, role and nature, coordination
- ✓ *IP arrangements:*
  - **Confidentiality**
  - **Pre-existing IP**
  - **Use of IP generated parallel to the project**
  - **Ownership / joint ownership of results**
  - **Legal protection of results**
  - **Commercial exploitation of results and any necessary access rights**
- ✓ *Settlement of internal disputes, pertaining to the CA:*
  - Penalties for non-compliance with obligations under the agreement
  - Applicable law and the settlement of disputes
  - What to do if all the contractors do not sign the EC contract

### 3. IP arrangements within the Consortium Agreement

Indeed, a comprehensive and well drafted CA will cover the management of all the main IP issues, taking into consideration the specificities of the project and participants in question.

As far as IPR are concerned, a proper CA is requested to cover issues related to dissemination, use and access rights, additional to the commitments under Annex II (and in some projects Annex III) of the GA.

The basic principle to follow when drafting these IP provisions is to provide a flexible and efficient mechanism to support the co-operation between partners, to guarantee protection and maximum use of foreground as well as to ensure immediate dissemination thereof. A good practice would also entail the shaping of post-project provisions in view of the foreground exploitation after the project end, especially aimed to define the management of those IPR which remain in force after the conclusion of the project.

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<sup>4</sup> For a better understanding of the MoU see factsheet 'How to manage IP in FP7 during the proposal stage'

### 3.1. Confidentiality

Giving effect to an R&D project normally requires exchange of information and ideas which may result in an essential part of the foreground elements. Thereafter, you should firstly consider introducing within your CA clauses determining the confidentiality obligations and limits thereof. Such clauses would regulate what information is deemed to be confidential, the procedures agreed upon for the transfer of confidentiality, to whom the confidential information may be divulged and under which conditions, and the time-lapse during which the confidentiality obligations will be in force, including those surviving the duration of the CA.

### 3.2. Background

The implementation of a research or innovation project may require the use of pre-existing IP, also called **background**<sup>5</sup>, hold by one of the participants, resulting from work carried out prior to the agreement. Participants are of course responsible for ensuring the ownership of their background along with the right to grant access to it.

The definition contained in the FP7 Rule for Participation further specifies that background relates to ‘**information relevant to the project** which are *needed* to implement the project or *needed* to use the foreground generated’. Accordingly, it is advisable to agree on the “**need to**” requirement, essential to assess the *need* of other consortium partners to access the background for the project implementation and for the use of the foreground.

Within the CA thus, you should firstly create a positive and/or negative list where envisaging the background to be brought to the project by participants, as well as their wish to exclude access to some specific elements of their background. In order to ensure that the proper implementation of the project would not be hampered by any exclusion, you should however ensure that access to background needed for the purpose of the project be always available to other partners.

Other conditions or limitations on such an access rights might also be included in the CA. A register of background as well as provisions on the ownership of the improvements of the latter and possible royalties to be applied (where allowed by the GA, because it is normally royalty free), are highly recommended to be included.

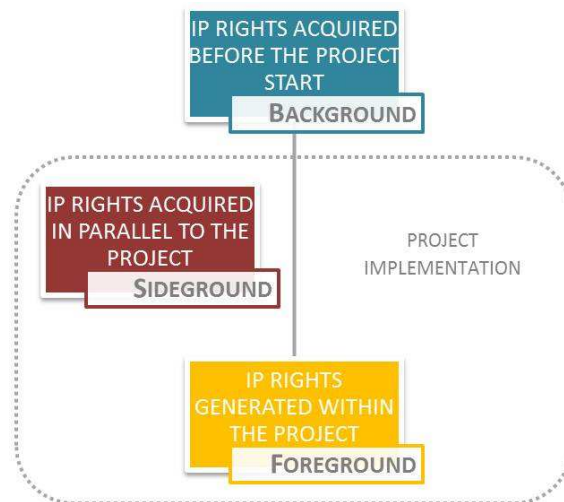
However, it must be noted that particularly in connection with access right to background for the implementation of the project, decisions must be made before the GA, otherwise common rules therein provided will apply.

### 3.3. Sideground

It is very important to also consider that one of the partners may develop or acquire IP *in parallel* to the project work. This is called **sideground** which, contrary to the background, is an intangible generated over the course of the project but not related to it. It can be useful to clearly define in the CA access rights to sideground and its proper management for the project implementation purpose, in order to avoid any potential conflict.

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<sup>5</sup> See factsheet ‘Introduction to IP rules in FP7 Projects’



### 3.4. Ownership, Legal Protection, Use and Dissemination of the Foreground

As far as **foreground**<sup>6</sup> is concerned, this is owned by the participant that carries out the work from which it resulted.

#### 3.4.1. Joint ownership

However, such work might have been executed jointly with other partners in a way that the respective shares cannot be ascertained. This is the case of **joint ownership**. Should this occur, the joint owners should establish a joint ownership agreement within six months or a time limit agreed upon from the accomplishment of the result, whereby regulating the allocation and terms of exercise of that joint ownership. It should be born in mind that if no agreement is reached, the general GA provisions will apply.

The CA is a one-size-fits-all instrument that partners might choose to conclusively deal with joint ownership, although separate **joint ownership agreements** could be more appropriate to respond to each specific joint ownership situation.

Issues that can be determined within the CA, and on which joint owners are called to agree upon are:

- *some form of territorial division for registering the invention,*
- *some form of division of market for the commercial exploitation,*
- *the setting up of a regime for the protection,*
- *the setting up of a regime for use (e.g. limits and profit sharing)*

#### 3.4.2. Legal protection

The CA should also contain provisions regarding the protection of the foreground that is capable of industrial or commercial exploitation. For example it may be useful stipulate an **option clause**, which takes into account the legitimate interests of other partners in the event that the designated owner of the result waives its option to start registration proceeding within the period stipulated in the contract.

<sup>6</sup> See factsheet 'Introduction to IP rules in FP7 Projects'

Provisions on how to deal with future patent applications and non-disclosure of information could also be integrated within the legal protection part.

### 3.4.3. Use

If you are participating in a collaborative R&D project funded by the EC you are required to use the results you own or ensure that they are commercially exploited or used for further research activity. The CA then should set out provisions in respect of this obligation. 'Use' might take the form of **direct utilisation**, when the foreground owners intend to industrially or commercially exploit the results in personal activities, or **indirect utilisation**, when a transfer of the foreground is decided upon and other project partners or third parties exploit the project results, for example, through licences. In the latter case the obligation to use the foreground is passed on the assignees.

Furthermore, 'Use' comprises the utilisation of foreground in research activities too, which are not part of the project. This utilisation outside of any commercial exploitation is crucial for academic beneficiaries.

### 3.4.4. Dissemination

Within the CA your consortium should also foresee the conditions for dissemination of the foreground. You must ensure that it is disseminated as **swiftly** as possible meanwhile having due regard the other partners' interests, such as **IP rights** and **confidentiality**. It is advisable then to include in the CA provision for conditions for dissemination, whereby other partners will be aware of the procedures to follow before disclosing any information about the project. In case of publications, for instance, the CA can be a good instrument where including and specifying pragmatic rules regarding the announcement of planned **publications/presentations**. For example, any planned publication shall be notified to the other partners, at least 45 days in advance and the right to object normally expires after 30 days from the notification.

Beneficiaries may modify such provisions contained in the GA and convene within the CA other rules and procedure to follow where it comes to disseminate projects' results: i.e. how to recognise a detrimental publication, how disagreements are dealt with, votes, the management of the notification/objection process, etc.

### 3.4.5. Transfers of ownership

Within your CA you might also want to regulate the eventuality of any **permanent assignment of the ownership of project results**. This is generally allowed, as long as the obligations regarding that foreground are passed on to the transferee. This means that the assignor must conclude appropriate arrangements to ensure that its contractual obligations with respect to dissemination, use, and the granting of access rights are passed onto the new owner (as well as by the latter to any subsequent assignee).

Furthermore, prior notice about the intention to transfer the foreground must be given to the other project partners together with sufficient information concerning the future owner so as to permit them to exercise their access rights. Objections may only be raised if such transfer would adversely affect project partner's access rights. If such an effect is demonstrated, the intended transfer will not take place until an arrangement has been reached (the mere fact that the foreground concerned would be transferred to a competitor is not in itself a valid reason for an objection).

## 3.5. Access Rights

Given that FP7 projects are based on collaboration between participants, matters related to access rights are of utmost importance and should be duly addressed in the CA. Access rights are **licences** and **user**

**rights** to foreground, background or sideground given by the owners to other parties (project participants or third parties). The CA is a useful tool to clarify, complete and implement the provisions contained in the Rules for Participation and the GA on this regard. Generally the CA may:

- determine the procedure regarding the **written request for access rights** and attach thereto the acceptance of conditions regarding confidentiality and use for the intended purpose;
- set out a procedure regarding the possible **waiving of access rights** by written confirmation;
- set out whether access rights confer the entitlement to **grant sub-licences** (in principle access rights are granted without the right to sub-licence);
- provide for **more favourable access rights** than those foreseen in the GA, whether concerning scope (e.g. including sideground) or concerning entities entitled to request access rights (e.g. affiliates).

As outlined above, in terms of IPR provisions alone, the CA is an important agreement. It is then good practice to take the time to go through this document thoroughly, to make sure that it meet the needs of your company and be suitable for an efficient implementation of the project.

**A CA may take different legal forms.** The choice of the **most suitable form** should be carefully made in accordance with **the needs of your consortium**. To this end, it is highly advisable to **read in advance different Model Consortium Agreements** and **mainly to seek professional advice from an IP legal counsel**.

## Useful Resources

For the preparation of this factsheet, the European IPR Helpdesk had in consideration the “*Guide to Intellectual Property Rules for FP7 Projects*” prepared by the European Commission, as well as the “*Strategic Guide to Successful Use and Dissemination of the Results of Research and Development Projects*”.

Sources of Model Consortium Agreement:

**DESCA** (*The Simplified FP7 Model Consortium Agreement*) – <http://www.desca-fp7.eu/>

**EUCAR** (*European Council for Automotive R&D*) – <http://www.eucar.be/>

**ADS** (*Aerospace and Defence Industries Association of Europe*) – <http://www.asd-europe.org>

**EICTA** (*Digital Europe*) – <http://www.eicta.org>

Additional model consortium agreements can be found at:

[http://www.dius.gov.uk/innovation/business\\_support/lambert\\_agreements](http://www.dius.gov.uk/innovation/business_support/lambert_agreements)

For further information on the topic please also see:

- *Negotiation guidance notes:* [ftp://ftp.cordis.europa.eu/pub/fp7/docs/negotiation\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/negotiation_en.pdf)
- *Checklist for a Consortium Agreement for FP7 projects:*  
[ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-consortium-agreement-checklist-2011v2\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-consortium-agreement-checklist-2011v2_en.pdf)
- *Standard Model Grant Agreement:* [http://cordis.europa.eu/fp7/calls-grant-agreement\\_en.html#standard\\_ga](http://cordis.europa.eu/fp7/calls-grant-agreement_en.html#standard_ga)
- *Rules for the Participation in FP7 projects:*  
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:391:0001:0018:EN:PDF>
- *Guide to IP Rules for FP7:* [ftp://ftp.cordis.europa.eu/pub/fp7/docs/ipr\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/ipr_en.pdf)
- *Strategic Guide to Successful Use and Dissemination of the Results of Research and Development Projects:* [http://ec.europa.eu/research/sme-techweb/pdf/use\\_diffuse.pdf#view=fit&pagemode=none](http://ec.europa.eu/research/sme-techweb/pdf/use_diffuse.pdf#view=fit&pagemode=none)



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## 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](http://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.

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