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IPR Helpdesk

Survey of technology transfer-means for the exploitation of project results under FP7

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www.ipr-helpdesk.org
ipr-helpdesk@ua.es

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The rules for participation in the Seventh Framework Programme (FP7) and the model grant agreement require the **use** of project results (i.e. *foreground*), what includes the utilisation of results in further research activities or their commercialisation.

When participants opt for commercialisation, they can "market a product or process" or "provide a service" themselves or through third parties. They are entitled to conclude **exploitation agreements among each other** if they are capable of producing and distributing the project results or rendering the services themselves.

They may also conclude agreements with the purpose of granting **access rights (user rights or licences) to third parties**, including parties who are not established in a Member State or an Associated State.

Furthermore, a **transfer of ownership of foreground to third parties** is possible upon prior notice to the other participants.

These activities might involve creating **new legal entities** (e.g. a "spin-off" company) for the purpose of commercialising the project results.

A variety of different **business partnerships or strategic alliances** can be used for technology transfer:

Licensing agreements are the most common means of technology transfer. They include all kinds of intellectual property rights (IP rights), whereby the IP right holder (the "licensor") grants defined user rights to another party, e.g. a company that will produce and sell products under a patented technology, or an end user who will use the licensed subject (e.g. software) for its own purposes (the "licensee").

- Non-exclusive licences enable the licensor to grant non-exclusive licences for the same IP rights to multiple parties.
- With an exclusive licence, a single licensee enjoys the user rights to the exclusion of any other party, thus limiting the licensor's rights to dispose of the licensed IP right. However, exclusive licences can be limited to a certain territory or field of application, leaving unaffected territories or fields of application for unrestricted licensing to other parties. If the licensor intends to use the licensed technology himself in the same scope, the parties can agree on a sole licence for the benefit of the licensor.
- Cross-licensing agreements are specific agreements by which two parties grant mutual licences to each other for exploitation (of the subject matter covered by patents or other IP rights) without an exchange of license fees.
- Franchise agreements are contracts whereby the exploiting party that has a good idea for a business and/or owns a trade mark (the "franchisor") licenses the rights to use the business name/trade mark and sell a product or service to someone else (the "franchisee"), in a given territory in exchange for a recurring royalty fee.

It should be noted that all types of licensing agreements must comply with the obligations under the grant agreement, in particular concerning *access rights for other participants*.

In this context, **exclusive licensing** to third parties is expressly allowed under FP7 subject to the written confirmation by the other participants that they waive their access rights to the resource in question.

The transfer of IP rights means a complete transfer of ownership of an IP right to another party (e.g. the sale of a patent). Again, the other participants' *access rights* need to be observed.

Licensing agreements and transfers of IP rights in return for profit participation represent technology transfer agreements which must comply with the EU competition rules, particularly with the Commission Regulation (EC) No 772/2004 (so-called "block-exemption regulation"). The

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contracting parties are responsible for ensuring that the agreements do not contain severely anti-competitive restraints, and that certain market-share thresholds with regard to the licensed product are not exceeded.

If the results of a project are ready to be launched on the market and the participants are capable of exploiting the products by themselves, the following agreements may serve this purpose:

A **manufacturing/production agreements** wherein an order is placed with a manufacturer/ producer (sometimes also referred to as "subcontractor") to manufacture products using the technology which has been gained in the project.

A **sales (representation) agreement** wherein a third party (agent) is engaged to transact sales of project results on behalf of, and following the instructions of, the exploiting participants. The agent serves as an intermediary and receives a commission for the acquisition of purchase contracts, which are concluded between the exploiting participants and the purchaser.

A **distribution agreement** wherein a distributor buys goods from the exploiting participant at a discount price, and sells them on to the customer at his own price.

For more elaborate joint commercialisation activities, **joint ventures** are the most appropriate means of technology transfer. They are strategic alliances by two or more parties to undertake economic activity together in order to manage a specific project, or for a long-term continuing business relationship. The parties either set up a new entity by contributing equity and sharing profits, losses and control of the enterprise, or the joint venture can be formed by the purchase of an equity share of an existing entity, or by an equity swap. Joint ventures may complement the parties' skill sets and offer a network presence in different countries.

The formation process for all means of technology transfer involves the development of a strategy, a careful assessment of partners, diligent contract negotiations and, finally, the effective management of the alliance.

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Project Management Office
IPR-Helpdesk
Edificio Germán Bernácer
Universidad de Alicante
P.O. Box 99
03080 Alicante
España

e-mail: ipr-helpdesk@ua.es
Tel.: +34 965 90 97 18
Fax: +34 965 90 97 15

Representative Office
IPR-Helpdesk
98, Rue du Trône
B-1050 Brussels

e-mail: ipr-helpdesk@ua.es
Tel.: +32 (0) 2 213 41 63
Fax: +32 (0) 2 213 41 69

www.ipr-helpdesk.org
ipr-helpdesk@ua.es

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