

Agreements on Research Commissions Placed by Industry with University Research Facilities - Model Solutions

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1. Preface

THE AMENDMENT to section 42 of the German law on employees' inventions, which has applied to "new contracts" since 7th February, 2002, and which, since 7th February, 2003, has in some cases also made it necessary to adapt "old contracts" concluded before 18th July, 2001, has led to an intensive search on the part of universities, and also on the part of industry, for model contractual solutions for standard situations. As far as the author is aware, discussions on this subject are already taking place at the BDI, the Confederation of German Industry, with the involvement of the HRK, the Committee of University Vice-Chancellors.

It is desirable to find model solutions that will be regarded both by the universities and by industry as a positive basis on which to transpose the new legal standards into a form of practical co-operation which all concerned will consider tolerable and positive. In the search for these solutions, a working party of experts from the university and industrial sectors has been set up, at the suggestion and with the active participation of the IPAL Gesellschaft für Patentverwertung Berlin mbH, the Society for Patent Exploitation in Berlin, which is the central technology transfer institution for the majority of the Berlin universities, namely Charité, the Free University of Berlin, Humboldt University Berlin and Berlin Technical University. Intensive efforts, involving lengthy discussions, have been made to put together some components for a model contract, under the general

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heading “Berlin Contract”, which is intended to make it easier in practice for academics, universities and industrial companies to handle the new legal situation that has arisen as a result of the abolition of the university lecturers’ privilege.

The members of the above-mentioned working group, as well as the “Berlin contract components”, can be seen from the web site of IPAL (<http://www.ipal.de>), which is continuously up-dated and will make also adapted, future versions of the Berlin Contract Components, as well as other news with regard to university-industry inventions, available in future. For all the further details, reference is made to the aforementioned web site.

2. Contract components “Berlin Contract”

2.1 Structure and organization

A preface dealing with the genesis and the proposed practical application of the Berlin Contract is followed by a brief introduction, which is intended to explain how the Contract components are to be handled. This is then followed by differentiation indicia for the Contract components in the Berlin Contract, which, it is hoped, will facilitate assigning a specific joint research project between a university and industry to one of the categories of a contract for work and services, research commission or cooperation on research. These differentiation indicia should not be understood here as alternatives, nor should they apply cumulatively, but, as the very name suggests, they are merely intended to provide the practitioner with pointers to help him make the appropriate assignment.

After the above-mentioned list of “differentiation indicia” come Contract components for research commissions between universities and industry, followed by appropriate Contract components for cooperation on research and development, which is referred to in the following as “research cooperation”.

2.2 Pointers helping to differentiate between contracts for work and services, research commissions, research cooperation

2.2.1 Contracts for work and services

If an industrial partner commissions a university to carry out certain research work, with an unambiguous, known objective and laying down a defined way of performing that work, the university will generally demand that the entire costs are assumed. The university, in the person of the research worker – here and in the following usually understood to mean the “project director” responsible -, is not required to interpret data or results in any way; neither the university nor the industrial partner has any interest whatsoever in publication. The result of a contract for work and services of

this kind is an obligation owed by the university to the industrial partner. In this case, according to the Berlin Contract – and one is tempted to say that this ought to be self-evident! – all the results of the research, including any inventions that might be made by the university, i.e. by the research worker or by any other member of the university, belong to the industrial partner without any additional remuneration, and it is the latter which decides at its own discretion whether to file applications for any industrial property rights, to engage in exploitation actions, etc. It goes without saying that any applications for industrial property rights are filed by the industrial partner exclusively in its own name, without any right whatsoever on the part of the university to participate.

2.2.2. Research commissions

In the context of research commissions, the industrial partner places a targeted commission with the university to carry out certain research work, the result of which is nevertheless open, but the way of performing that work and the purpose of the study are defined. In this case too, the university will expect the entire costs to be assumed. The data or results have to be interpreted by the research worker. The industrial partner, having placed the commission, will as a rule be interested in receiving the results at short notice or at least on schedule. The university, or the research worker, for their part have an interest in seeing the results published. In this case, no successful result is owed by the university.

The parties involved in drawing up the Berlin Contract are unanimous in their opinion that, when research commissions are organized in this way, the university has a fundamental right to remuneration for any invention. The rights in the inventions concerned, including the right to file the first application and to carry out subsequent applications in other countries, also need to be settled in detail.

2.2.3. Research cooperation

In the case of research cooperation, the industrial partner places a research commission with the university, the objectives and results being open; the implementation is not defined in detail, and the intended practical application is neither known in detail nor definitively laid down. Both partners, i.e. the university and the industrial partner, contribute to carrying out the research project on which they are cooperating by providing personnel and/or assuming a share of the costs. The industrial partner, having placed the commission, has a medium to long-term interest in the outcome, both partners have a pronounced – and possibly a joint – interest in publishing the results. In this case, the university has no obligation vis-à-vis the industrial partner regarding the success of the research cooperation agreement.

The parties involved in drawing up the Berlin Contract are unanimous in their opinion that, in the case of research cooperation, the industrial partner has a separate obligation to remunerate the university for any invention, the details of which need to be settled depending on the situation, as do the filing rights with regard to patents, etc.

2.3 Features common to research commissions and research co operation

A common feature of the contractual arrangements both in the case of research commissions and with regard to research cooperation is that, for the reasons which have in the meantime already been discussed in detail in the literature, a “trilateral” contract between the university, the industrial partner and the research worker is necessary.

Briefly, this necessity is based on the fact that, because of the peremptory provisions of the law on employees’ inventions, it is only possible for the contractual agreement between the university and the industrial partner to regulate the situation concerning rights, and obligations to acquire the rights etc., in inventions which can be covered by patents or utility models. Any additional know-how and advisory services which the industrial partner wishes to receive “in person” from a specific research worker who is particularly important to him as a cooperation partner (e.g. a professor) can only be reliably obtained by the industrial partner on the basis of an appropriate contractual agreement with the research worker himself, since any “indirect route” via the university might in this case affect the research worker’s personal rights with regard to research and teaching, which are guaranteed by the constitution.

A direct agreement between the research worker and the industrial partner is also needed if the research worker is to waive his negative publication rights. The same applies to any advance waiver of the research worker’s right to take over any applications for industrial property rights or the industrial property rights themselves and to file applications in other countries.

For the reasons explained above, the members of the working party consider it appropriate, both in the case of research commissions and with regard to research cooperation, to conclude a “tripartite agreement” between the university, the industrial partner and the research worker. “Research worker” here is understood to mean the project director responsible who has been appointed by the university and the industrial partner. If – and this is likely to apply in most cases – other members of the university, whether students or university staff (employees), are involved in carrying out the work on the research project concerned, it needs to be ensured in advance, by means of an appropriate declaration of association, that the obligations of the project director also apply, *mutatis mutandis*, to that

group of individuals.

2.4 Contract components for research commissions

According to the model contract, research results arising from a research commission belong exclusively to the industrial partner, irrespective of the extent to which the research worker or other “associated” members of the university is/are involved in the production of the corresponding research results, especially inventions.

Regarding the filing of any applications for industrial property rights, referred to in the following as “patent applications” for short, it is envisaged that the first application is filed either by the university or alternatively by the industrial partner, though of course in a manner to be settled in advance, but always as joint applications on behalf of the university and the industrial partner. This arrangement is intended to satisfy the universities’ interests in appearing in the relevant “ranking” lists with a corresponding number of first applications. The industrial members of the working party accept the fact that “ranking” positions of this kind are becoming more and more important in assessing the performance and the general reputation of universities for the sake of international comparisons.

It is the industrial partner alone which decides on whether to file foreign applications in the case of research results based on research commissions, and any foreign applications are also filed solely by the industrial partner in its own name.

The arrangement regarding remuneration in the case of research commissions has the following structure according to the Berlin Contract:

After the first application has been filed, the industrial partner pays the university a first remuneration amounting to 2,500.00. This is then followed by remuneration payments according to the following alternatives:

- (a) 2,500.00 at the beginning of exploitation, this remuneration rising to 10,000.00 if exploitation begins more than 7 years after the first application; the industrial partner may, however, redeem the obligation to pay the increased lump sum by paying a further remuneration of 2,500.00 before the expiry of the above-mentioned 7-year period.
- (b) When certain turnover thresholds are reached, further lump-sum payments are made, though it is necessary to lay down the details on this in the contract.
- (c) After exploitation has begun, an appropriate remuneration is paid, depending on the degree of exploitation, which is subject to later negotiation.

2.5 Research co-operation

The research results arising from research cooperation are in principle broken down into results achieved by the industrial partner, joint results and university results.

Results achieved by the industrial partner are research results attributable solely to the industrial partner's staff. Joint results mean research results in which the university's, or the university staff's, share of the invention is no more than 50%. University results are research results, in which the university's share of the invention is more than 50%.

2.5.1 Industrial partner's results

Research results which fall into the category of "industrial partner's results" belong exclusively to the industrial partner. The latter has the sole right to file applications for industrial property rights, exclusively in its own name where appropriate; the industrial partner has no obligations vis-à-vis the university whatsoever to pay any remuneration.

2.5.2 Joint results

In the case of joint results where the university's share of the invention is no more than 25%, the industrial partner has the right to file the first application exclusively in its own name.

If the university's share of the invention is more than 25%, the arrangement corresponds to the one for research results based on research commissions, i.e., the first application is filed as a joint application either by the industrial partner or alternatively by the university, in the names of the university and the industrial partner.

On the whole, in the case of joint results, foreign applications are filed in accordance with the arrangements regarding research commissions (see, 2.4), i.e., by the industrial partner and exclusively in its own name.

The remuneration for an invention which the industrial partner has to pay the university is settled as follows in the case of joint results: if the university's share of the invention is less than 50%, the remuneration for the invention is paid in the same way as with research commissions. If the university's share of the invention is 50%, the industrial partner pays the university remuneration for the invention as in the case of university results, which will be discussed below (see, 2.5.3), but deducting 10% from the remuneration agreed for university results of that kind.

2.5.3 University results

University results, i.e. research results emanating from research cooperation, in which the university's share of the invention is more than 50%, belong exclusively to the university. The industrial partner does,

however, have an option on taking out an exclusive licence on reasonable terms. The corresponding remuneration for the invention may comprise one or more lump-sum payments or a reasonable licence fee. The members of the working party regarded the sample calculations annexed to the Berlin Contract as being appropriate for the standard situation.

In the case of university results, the university has the right to file the first application in its own, exclusive name. After the option is exercised – and only in this case does remuneration for the invention has to be paid to the university by the industrial partner, of course! – the corresponding application rights revert to the industrial partner in a manner to be agreed.

3. Summary

The members of the working party mentioned at the beginning hope that, by presenting the Contract components of the “Berlin Contract”, they have made a constructive contribution to the discussion of solutions which appear reasonable both to the universities and to the industrial partners for the future conduct of research projects in the university/industrial sectors. Making the discussion more objective, on a reasonable basis of this kind, is probably also likely to reduce the attractiveness of industry’s thoughts about at least partially transferring research commissions into regions outside the purview of the law on employees’ inventions.