

How to deal with IP related clauses within Consortium Agreements

TABLE OF CONTENTS

Introduction	1
1. The Consortium Agreement: nature and generalities	2
1.1. CA Parties	3
1.2. CA Signature	3
2. Intellectual Property Rights Management	3
2.1. Background.....	4
2.2. Sideground	4
2.3. Ownership / joint ownership of foreground	4
2.4. Access rights.....	5
2.5. Transfer	6
2.6. Protection.....	6
2.7. Use & Dissemination	6
2.8. Confidentiality	7
3. Forum-selection & ADR clauses	7
4. Differences between CA models	7
Useful Resources	8

Introduction

The Consortium Agreement (CA) is a legally binding settlement used by beneficiaries of the Seventh Framework Programme (FP7) funded projects. The consortia must decide on terms and conditions of their consortium agreements that best suit their members and their own interests. The CA content is then their sole responsibility as the European Commission (EC) is not party to such an agreement. Although the EC does not provide any contractual framework, it has released a checklist for drafting a CA in FP7 projects. While this document is not binding, it is indeed a useful tool aiming at assisting participants in an FP7 project to identify issues that may arise during the project and that should be governed by a CA.

The CA is usually divided into three main parts that respectively include preliminary clauses, central clauses and final clauses. The objective of this fact sheet is to focus on the central part, more specifically on the provisions regarding the management of Intellectual Property (IP). An overview of the relevant IP

rules to be included in the CA will thus be outlined with the aim of providing a checklist of the matters to be dealt with by consortia when drafting it¹. In addition, the final part of this document will give some suggestions on the clause related to the settlement of internal disputes.

1. The Consortium Agreement: nature and generalities

The CA is a private contract between FP7 participants concerning internal arrangements on work organisation, IP management, liability and other matters of their interest. This agreement should embrace all of the beneficiaries' rights and obligations related to these issues that are necessary for the execution of the project.

CA BREAKDOWN

Internal organisation and management of the consortium:

- o Technical contribution of each party
- o Technical resources made available
- o Production schedule for inter-related tasks and for planning purposes
- o Expected contribution, maximum effort expected
- o Committees – establishment, composition, role and nature, coordination

IP arrangements:

- o **Confidentiality**
- o **Pre-existing IP** (*background*)
- o **Use of IP generated parallel to the project** (*sideground*)
- o **Ownership / joint ownership of results** (*foreground*)
- o **Legal protection of results**
- o **Commercial exploitation of results and any necessary access rights**

Settlement of internal disputes, pertaining to the CA:

- o Penalties for non-compliance with obligations under the agreement
- o Applicable law and the settlement of disputes (ADR)
- o What to do if all the contractors do not sign the GA

Regarding the IP provisions within the CA, they can be considered complementary to those contained in the Grant Agreement (GA), in the sense that the CA develops features particular to each project and supplements others not entirely defined in the GA. Furthermore it finds its boundaries in the GA since it is not allowed to contradict or negate the provisions enclosed therein.

It must be borne in mind that in the “Research for the benefit of SMEs”² specific programme the CA cannot affect the rights and obligations of each beneficiary as established in the *transaction* either.

The basic principle to follow when drafting a CA is to provide flexible and efficient mechanisms to support the co-operation between the parties, to encourage protection and maximum use of foreground as well as to ensure swift dissemination thereof. The **CA is mandatory for any FP7 projects** unless differently stated within the call for proposal.

¹ Note that in order to fully understand the content of the present fact sheet it is strongly advisable to read the “Introduction to IP rules in FP7 Projects” and three other fact sheets on the IP management during FP7 projects life cycle, available at www.iprhelpdesk.eu.

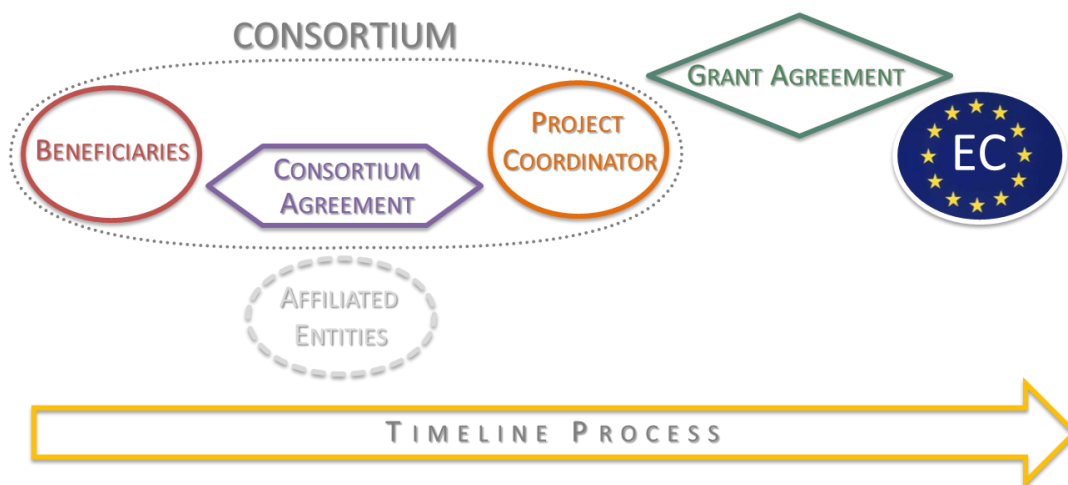
² For an inclusive analysis of the IP management within the “Research for the benefits of SMEs” specific programme, please see the IPR Helpdesk fact sheet on it, available at www.iprhelpdesk.eu.

1.1. CA Parties

Parties to the CA are the consortium partners, namely the beneficiaries and project coordinator. This means that they are the only signatories of the contract and the EC is never a contractor, unless it is a participant in the consortium. Although third parties, such as *affiliated entities* or *subcontractors*³, may carry out some work in the project, they do not become beneficiaries as such. This means that they will not have the same rights and obligations proper to the consortium partners and will not thus enter into negotiation for the CA signature.

1.2. CA Signature

The CA should be concluded before the signature of the GA. This is due to the necessity to define aspects that are particular to the project and that are not fully covered in the GA. Moreover, since within the CA partners may divert from the IP common regime as provided by the GA, in certain cases this needs to be done before the GA signature⁴, otherwise those aspects not included in the CA will fall back to the common regime. A slightly different rule applies for the CA signature in “Research for the benefit of SMEs” specific actions. In fact, the related Annex III of the GA⁵ states that consortia must conclude the CA at the latest two months after the start date of the project.



2. Intellectual Property Rights Management

Indeed, a comprehensive and well drafted CA will cover the management of the main IP issues, taking into consideration the specificities of the project and participants in question. A proper CA is therefore requested to establish rules regarding the definition and handling of background, ownership of

³ When expressly foreseen in and allowed by the GA.

⁴ See, for example, the agreement on access right to background for project implementation under fair and reasonable conditions, Article 49.2 Rules for Participation (RfP) – Article II.33.2 GA.

⁵ Article III.3 GA.

foreground as well as its use and dissemination, access rights and confidentiality matters, additionally to the IP-related commitments under Annex II (and in some projects Annex III) of the GA.

2.1. Background⁶

This section should define the “**need to**” requirement, essential to assess the *need* of other consortium partners to access background for project implementation and for the use of foreground. Such definition should be sufficiently clear to avoid disputes afterwards.

As a first step, you should define background that partners want to bring into the project by creating a **positive list** and/or a **negative list** where to exclude access to some background specific elements. 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.

Furthermore, if one or more partners envisaged not granting access to their background for project implementation on royalty-free basis, you should define the **fair and reasonable conditions** to access it. In fact, if no agreement is reached upon it by all the participants before their accession to the GA the common regime applies, so that such access rights will be royalty-free.

Provisions on the **improvements** of background during the implementation, its ownership and possible royalties to be applied to for it to be accessed, are highly recommended being included too.

2.2. Sideground⁷

Although sideground is no longer regulated within the FP7 rules, in the CA it can be very useful to reach an agreement on its management (*what it is and who the owner is*) and to clearly define access rights to it for project implementation purposes, in order to avoid any potential conflict. Note that none of the proposed models CA deals with sideground issues. Nevertheless, sideground creation could be a source of dispute due to the potential partners’ request to access it, so it is very important to properly handle it to avoid future litigation.

2.3. Ownership / joint ownership of foreground⁸

This part deals with the ownership of the foreground which is normally owned by the participant that carries out the work from which it resulted. However, where the result has been generated jointly with other partners and the share of work is not easily ascertainable, **joint ownership** comes into place.

You might want to regulate the joint ownership within the CA as *one-size-fits-all* instrument. Separate **joint ownership agreements** are nevertheless advisable and could be drafted afterwards to better respond to each specific joint ownership situation. Whatever way you choose, you need to set a bulk of rules whereby regulating the allocation and terms of exercise of joint ownership, otherwise, if no agreement is reached, the general GA provisions will apply.

⁶ For a thorough definition of background, see the fact sheet on “How to manage IP in FP7 during the negotiations stage”, available at www.iprhelpdesk.eu

⁷ For a thorough definition of sideground, see the fact sheet on “How to manage IP in FP7 during the negotiations stage”, available at www.iprhelpdesk.eu

⁸ For a thorough definition of foreground, see the fact sheet on “How to manage IP in FP7 during the negotiations stage”, available at www.iprhelpdesk.eu

Important preliminary factors to be agreed upon can be:

- ❖ **Sharing of IP costs**
- ❖ **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. licences, limits and profit sharing)**

It is worth noting that in the “Research for the benefits of SMEs” programme, consortia must choose the ownership regime within the transaction⁹. Once the regime has been defined, participants can further regulate other aspects related to the foreground management in the CA. For example, if the consortium has agreed that project results will be held by SMEs, they will need to decide whether the ownership of such results will be equally assigned between the SME-participants or foreground will be differently jointly owned by them¹⁰. If they choose to portion the property, they should outline the sharing of the different IPR between SMEs proportional to their contribution to the project and in line with their business strategy. Where IPR are shared, the group must nonetheless provide each participant with all the necessary access rights to use and disseminate foreground.

2.4. Access rights

As far as access rights are concerned, the CA may *inter alia*:

- *determine* the procedure regarding the written request for access rights¹¹ and provide a longer or shorter term for it to be made¹²;
- *set out* the procedure for partners to waive their access rights when an exclusive licence has to be granted¹³;
- *decide* the entitlement to grant sub-licences¹⁴;
- *provide* access rights to foreground to RTD performers for further research¹⁵;
- *provide* more favourable access rights to other entities such as affiliates or *exclude* them¹⁶;
- *foresee* access rights to sideground;
- *define* access rights to background *improvements*;
- *determine* the fair and reasonable conditions to access background for implementation (where needed).

⁹ See above, note 2.

¹⁰ In these specific actions SMEs are automatically joint owners of the results.

¹¹ Access rights are not automatically granted and must be requested in writing, Article 48.1 RfP.

¹² As a general rule the written request must be made up to one year after the end of the indirect action and/or participation by the owner of the background/foreground concerned, Article 50.4 RfP – Article II.34.4 GA.

¹³ Exclusive licences may only be granted subject to written renunciation from other participants, Article 48.3 RfP.

¹⁴ Access rights are granted without the right for the requesting partner to sub-licence them, unless differently agreed upon in the CA, Article 48.2 RfP – Article II.32.5 GA.

¹⁵ This is specificity proper to the “Research for the benefits of SMEs” actions, Article 50.2 RfP.

¹⁶ The GA allows affiliated entities to have certain access rights. This principle can be however modified by inserting a specific clause in the GA and including it in the CA, Article 50.3 RfP – Article II.34.3 GA.

2.5. Transfer

Within your CA you might also want to regulate the eventuality of any **permanent assignment of the ownership of project results**. In particular, you can deal with notification and time-limits to the objection right. In fact, where a transfer of ownership is envisaged, the assignor must notify the other projects participants its intention and provide with sufficient information concerning the future owner, so as to permit them to exercise their access rights.

The GA allows such notification with a minimum of 45 days before the planned transfer date, in order for participants to raise **objections** within the next 30 days, in case the future transfer would adversely affect their access rights. In the CA consortia may agree on a **different notification period** both for transfer and objections¹⁷.

2.6. Protection

This section deals with issues concerning the protection of foreground. You could, for instance, foresee how to deal with patent applications¹⁸ and non-disclosure of information. An agreement on the **option clause**, which takes into account the legitimate interests of other partners in the event that the owner of the result waives its option to start registration proceeding, is also highly advisable. Consortia should also envisage the most **suitable IP protection tools** for prospective foreground, the **geographical extension** of the protection and **situations in which protection has to be postponed** according to the partners' legitimate interests¹⁹.

Although there is no express obligation, it is highly advisable to **consult with other partners before protecting** so as to put them in a condition to oppose possible legitimate interests. It would also be a good practice to **inform** them **after** any protection measure realised. Once again, all of these issues should be detailed in the CA in order to avoid possible conflicts.

2.7. Use & Dissemination

In accordance with the Plan for Use and Dissemination of Foreground (PUDF), the CA should set out rules governing the consortium partners' obligations to **use** foreground in commercial activities or in further research as well as its form of **utilisation**, whether it be **direct** or **indirect**. More specifically, partners may decide whether they intend to industrially or commercially exploit the results in personal activities or prefer that it be done by a third party, i.e. through licences. Additionally, setting up a regime for use in joint ownership situations is certainly appropriate²⁰.

Within the CA, your consortium should also foresee the conditions for **dissemination** of the foreground. **Confidentiality procedures** to follow before disclosing any information about the project by other partners should be defined as well as rules regarding the announcement of planned **publications/presentations**. Indeed, all partners must be notified of any programmed dissemination

¹⁷ Article 42 RfP – Article II.27 GA

¹⁸ A notification process could be set out to ensure that all co-inventors are mentioned. Note that patent applications regarding foreground must contain a statement that it was generated with financial support from the EU.

¹⁹ This should be considered in order to allow further development of an invention and to avoid precipitate filings.

²⁰ See above, paragraph 2.3., point e).

activity at least 45 days in advance and have 30 days to exercise their **right to object**²¹ since the notification date. Beneficiaries may then modify such statutory provisions and convene in the CA other time-limits²². They could also agree on other issues related to the dissemination obligation, e.g. how to recognise a detrimental publication, how disagreements are dealt with, votes, etc.

2.8. Confidentiality

Clauses determining the **confidentiality obligations** and their **limits** should be introduced within your CA. Such clauses regulate what information is deemed to be confidential and what is not, confidential labelling of documents, 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. Forum-selection & ADR clauses

Considering the very international nature of FP7 projects, the issue related to the choice of jurisdictions competent to decide the breach of contractual obligations is of fundamental importance. While the GA establishes the rules for the handling of any dispute between the EU and beneficiaries²³, the CA is an appropriate instrument to define the **applicable law** in case of **consortium disputes**²⁴. It is worth noting that the law applicable to the contract with the EC is usually the Belgium one. Since the provisions contained in the CA are complementary to those in the GA, and must comply with them, in order to ensure a conform interpretation of both it is advisable choosing the Belgium law, with jurisdiction in Brussels. Another suitable choice would be to select the forum where the majority of work is carried out. However when negotiating the selection of the forum, consortia should indicate the jurisdictions that can ensure the highest degree of impartiality as well as the highest standards of protection and efficiency.

Consortia should also consider including clauses providing mechanisms alternative to the court proceedings in the CA, namely the **alternative dispute resolution (ADR) procedures**²⁵. Such mechanisms have the advantage to avoid the heavy costs of litigation as well as to settle the controversy faster and in confidential fashion.

4. Differences between CA models

Since the EC does not provide any binding model of CA, several organisations have developed different consortium agreements with the intention to create a contractual framework that help participants draft their own CA. Such models are nevertheless **mere samples** and not a one-size-fits-all contract to be slavishly used by consortia participating in the different FP7 projects. Therefore, a thorough analysis is required in order to ascertain which one is the most suitable for your project specificities. Afterwards, the consortium **must adapt** and **reshape** the chosen model to its specific needs.

²¹ Objections may only arise where other participants' legitimate interests could suffer disproportionately great harm because of the dissemination activity, Article 46.4 RfP – Article II.30.3 GA.

²² Article II.30.3 GA.

²³ Article 9 GA.

²⁴ Participants may find guidance in conventions regulating international private and procedural law like the Convention on the law applicable to contractual obligations (Rome Convention), 80/934/EEC.

²⁵ For an overview on ADR mechanisms, see Schallnau, J., 'Efficient Resolution of Disputes in Research & Development Collaborations and Related Commercial Agreements', European IPR Helpdesk Bulletin N°4, January - March 2012, available at www.iprhelpdesk.eu.

Note that there is no CA model for the “Research for benefit of SMEs” programme. In fact, the specific ownership regime applying to these actions²⁶ requires that all the conditions applicable to the ownership of foreground and access rights between SME-participants and RTD providers be set within the so-called *transaction*. Since the CA cannot go further nor affect the rights and obligations as established in the transaction, you should carefully draft your CA by using any model contract that must however be shaped according to the transaction and further consortium needs.

Below you can find a table summarising how the different CA models regulate the main IP-related issues. The table has no intention to be exhaustive, but aims to give a first overview of the dissimilar contracts features. Anything not included within the table follows the common regime as provided by the GA. To sum up:

- **DESCA** sets a contractual framework seeking to balance the interests of all of the main participant categories in FP research projects: large and small firms, universities, public research institutes and RTOs;
- **IMG4** is based on the DESCA Model CA but adapted so as to make it compliant with the industrial objectives achievable through the participation in FP7 programmes.
- **EUCAR** contains provisions encouraging exploitation and dissemination of the project results. It is less detailed than the other models but proposes alternatives for the access rights regime and the background management.

Useful Resources

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>

IMG4 (*Aerospace and Defence Industries Association of Europe*) – <http://www.aerosme.com>

Additional model consortium agreements can be found at:

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
- *Checklist for a Consortium Agreement for FP7 projects:*
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
- *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
- *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

²⁶ Article 41 RfP. See also the fact sheet on “IP specificities in research for benefit of SMEs”, available at www.iprhelpdesk.eu

	BACKGROUND	FOREGROUND	AFFILIATED ENTITIES	ACCESS RIGHTS	CONFIDENTIALITY	LAW & DISPUTES SETTLEMENT
DESCA	It envisages both positive and negative lists: - Attachment I where to list accessible background; - Attachment II where specific background may be excluded. Both can be used and updated whenever	Two options for joint-ownership : - Option 1 - GA default regime ; - Option 2 - free use and sublicensing without informing or compensating the other owner(s).	Two access rights granting options: 1. Aligned to GA provisions; 2. More favourable conditions. Termination of any access rights upon the status cessation. Rights subject to the continuation of the access of the relevant participant	Very accurate " need to " definition. Two options for use of foreground : a) Access for internal research is free, access for any other use (including third party research) will be granted on <i>fair and reasonable conditions</i> . b) All access for use of own foreground will be granted <i>royalty-free</i> . Access rights to background for use of foreground is on <i>fair and reasonable conditions</i> . Sub-licencing is excluded. Additional access rights are allowed.	Very accurate. It defines " confidential information " as any confidential or as such confirmed and designated in writing when orally disclosed . It provides a period of 5 years for non-disclosure commitments after the end of the project .	It follows the law chosen in the GA in order to harmonise possible conflicts. It proposes several ADR options, namely mediation and arbitration under different rules followed by Belgian courts litigation.
IMG4	It only envisages the positive list to be identified in Attachment 1 . Anything not listed is excluded.	Joint owners are free to use jointly owned foreground without requiring the prior consent of the other owner(s) for their own direct use only .	It follows the DESCA provisions.	Well delimited " need to " definition. Access to foreground and background needed for the project implementation is granted on a <i>royalty-free/non-exclusive</i> basis. Access to foreground and background for use purposes of is granted on <i>fair and reasonable conditions</i> , but for internal research is <i>royalty-free</i> . The request may be made up to two years . Additional access rights are allowed.	Accurate. Same definition as in DESCA. It leaves the commitment period to the parties' discretion.	It chooses the law applicable to the GA. It includes arbitration governed by the rules of the International Chamber of Commerce. Parties are free to choose any competent court.
EUCAR	It does not foresee any positive nor negative list. It only provides that background is accessible subject to legitimate interests of the respective owner.	It envisages equal undivided shares for joint owners who have free use and the right to grant non-exclusive sub-licences without compensation to other beneficiaries. Foreground dissemination is possible without prior notice to the other beneficiaries	Detailed and broad definition that goes beyond to the ' <i>establishment in a Member States</i> ' requirement. Access rights for Affiliates under more favourable terms, which follow the same conditions foreseen for beneficiaries (see box alongside). It includes an agreement whereby parties may agree on the transfer of foreground to affiliates listed therein.	Very broad " need to " definition. Access to foreground and background needed for the project implementation is granted on a <i>royalty-free</i> basis. It makes a distinction between access rights to background and foreground for use purposes in: a) Different sub-projects : to be granted on preferential conditions to the other beneficiaries and their affiliates. b) Same sub-projects : foreground accessible <i>royalty-free</i> ; background on preferential conditions to the other beneficiaries. <i>No written form needed as it is considered implicit with the CA signature</i> . No time-limit for making request.	It provides cases in which confidentiality does not apply. Broad definition of " confidential information ". No need to mark or confirm information as confidential. 5 years period for non-disclosure commitments after the end of the project .	No choice of law, but Belgium law recommended. Besides aiming at amicable settlements, it includes arbitration governed by the rules of the International Chamber of Commerce. No litigation court envisaged.

GET IN TOUCH



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For comments, suggestions or further information, please contact

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