

Ireland's National IP Protocol Made Simple

Essentials for working with the Irish Research Base



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Introduction

Ireland's research and innovation strategy actively promotes close working relationships between industry and the public research system. It aims to provide a world leading environment in which industry – both local and international – enthusiastically uses Irish public research for discovery and innovation.

This Simple Guide summarises some of the key points in the **National IP Protocol 2019**. It is not intended to substitute for the Protocol which explains the national policy and framework for research commercialisation in detail and offers practical guidance.

Ireland's **National IP Protocol 2019** sets out the Government's policies to encourage industry to benefit from publicly funded research and describes the practical arrangements for this to happen. This Protocol is produced by Knowledge Transfer Ireland on behalf of the Department of Business Enterprise and Innovation. It updates previous versions, which were published in 2012 and 2016, and reflects the State's commitment to ensuring that the knowledge transfer system continues to be agile and relevant. It is the product of an extensive process of consultation with people working at the industry research interface.

Since the formation of Knowledge Transfer Ireland (KTI), as mandated in the first Protocol, industry now has a range of resources at its disposal to make the process of engagement with State funded research clear and swift.

The focus of the Protocol is three-fold:

Collaborative Research: where industry and research performing organisations (Universities, Institutes of Technology and State funded research organisations – together referred to as research performing organisations or RPOs) work together on a programme of research, (often called a project). Industry and the State may share the cost of the research or it may be fully funded by the company.

Licensing: where industry accesses intellectual property resulting from research. This section considers licensing of IP funded entirely by the State.

Spin-out company formation: where a new company is created based on intellectual property coming from an RPO.

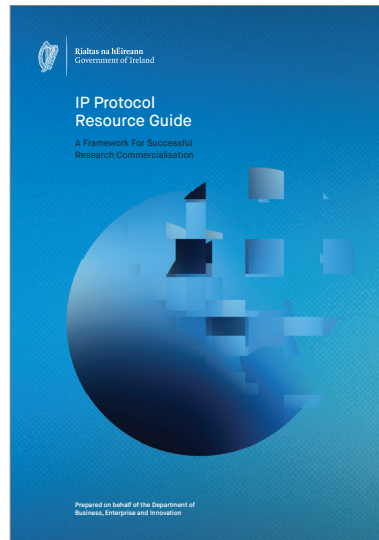
In addition, the Protocol includes a separate section on State aid in the context of research commercialisation. The Protocol also describes the national knowledge transfer system.



The Protocol comprises two volumes:

1. **The IP Protocol policy document** which includes the framework underpinning research collaboration and access to intellectual property from state funded research, considerations around spin-out company formation, the national IP management guidelines and State Aid.
2. **The Resource Guide** which links to the wealth of resources such as Model Agreements, Practical Guides and pro forma templates that underpin the Protocol and which can be used as a starting point for drafting and negotiating the relevant commercial contracts. The Resource Guide was produced as a supporting document to:
 - Provide an overview of the knowledge transfer system in Ireland.
 - Detail the national IP management requirements and the resources available to support them.
 - Provide access to and information on the practical tools and supports available to help with the process of preparing to engage in publicly funded research or licensing of IP or creating a spin-out company and the processes of contracting that underpin these commercialisation routes.

Both the IP Protocol policy document and its associated Resource Guide are available on the KTI website www.knowledgetransferireland.com along with all the supporting documents and tools that are referenced throughout each document.



National Policy for Research Commercialisation

The State's objectives for the commercialisation of publicly funded research include:

- Maximising the economic and societal benefits and returns to Ireland from its public investment in research by commercialising the results and intellectual property arising from that State research.
- Taking the opportunity to commercialise IP that arises from State funding in all possible fields, applications and territories where it is consistent with achieving Ireland's objectives.
- Enabling all enterprises – from start-ups and small and medium enterprises (SMEs) to multi national corporations – to access and exploit IP quickly, on terms that provide fair value to all parties and in ways that are predictable and consistent from one negotiation to the next.
- Ensuring RPOs have published policies and procedures in place that enable them – to the extent that is reasonable – to give industry an acceptable and consistent level of confidence around the management of IP arising from their research.
- Helping Higher Education Institutes and State Funded Research Organisations (Research Performing Organisations, RPOs) benefit from commercialisation and provide incentives to the researchers involved in creating IP.
- Deepening industry's R&D base in Ireland and engaging Ireland's SMEs in innovation to ensure their long-term sustainability.

For further policy objectives see Chapter 1 of [National IP Protocol 2019](#).

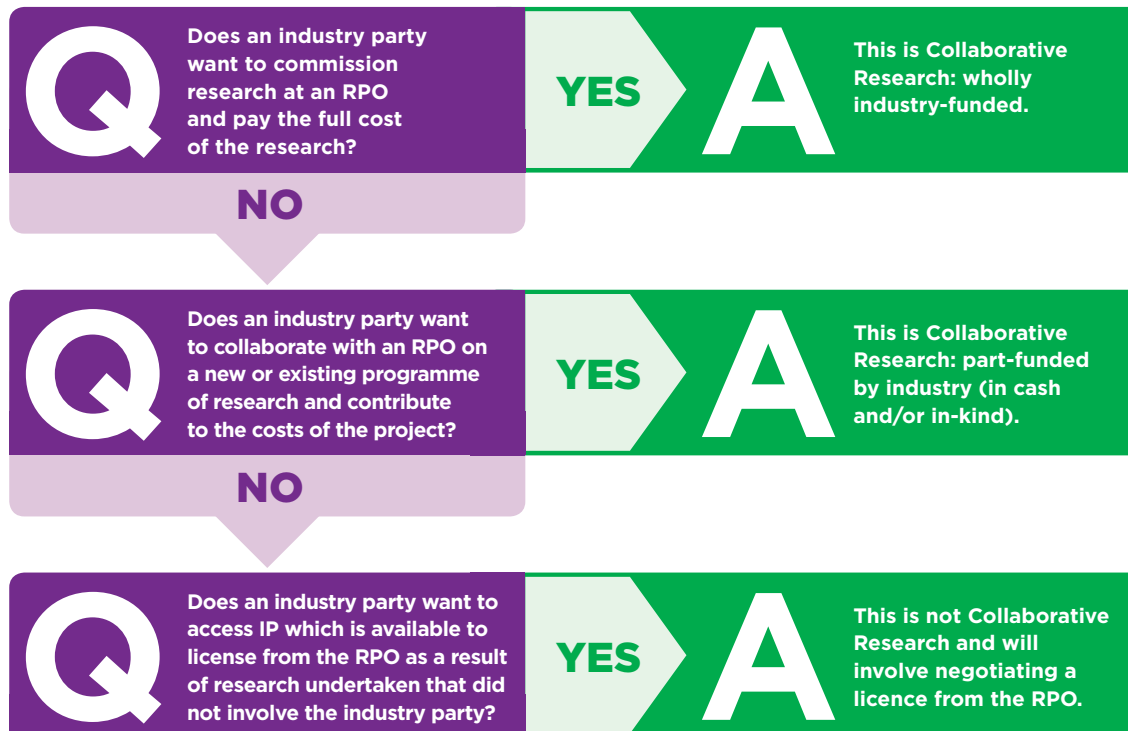


Collaborative Research



Collaborative Research between Industry and an RPO

Research projects between a company and an RPO may be fully-funded or part-funded by the company.



Frequently, new IP (Foreground IP) will be generated as part of a research collaboration. There may also be certain existing IP brought into the project (Background IP). It is important to anticipate how the IP will be accessed before the project starts and this will be documented in the Collaborative Research Agreement which will be signed by the parties.



Access to IP arising in collaborative research wholly funded by industry

The industry party will have the ability to take assignment of IP arising in the project (called Foreground IP). In certain circumstances, however, alternative access routes may be sufficient to meet the industry party's needs and may provide a more suitable approach. For example, through an exclusive licence or a non exclusive royalty free (NERF) licence. This access will be explored when the contracts are initially discussed and any State aid implications will be factored in.

Given that the nature and purpose of the RPO is to teach and facilitate research, the RPO will have the option to negotiate access to the Foreground IP for those purposes. The industry party shall give due consideration to any request in this regard.

Further information can be found in Section 2.5 of the [Protocol](#).

Access to IP arising in collaborative research part funded by industry

This is where an industry party partially funds and works with an RPO on a project of mutual interest. There will be an element of State research funding to meet part of the cost of the project and the industry partner will be providing a proportion of funding in cash and/or in kind, including participation in the research itself.

The industry party shall be entitled to negotiate and conclude a licence to Foreground IP created in the project on fair commercial terms. The grant of licences is subject to the industry party making at least the minimum contribution to the cost of the research. The minimum contribution will be set by the State research funder for the particular State funding programme. The most suitable IP access route and outline terms should be agreed before the project begins and specified in the Collaborative Research Agreement, a sample of which can be found at <https://www.knowledgetransferireland.com/Model-Agreements/>.

Access routes include an option to negotiate a licence to Foreground IP as it arises. This may be on an exclusive or non exclusive basis and in specific Fields and Territories. It may be possible to negotiate the scope of a non exclusive royalty free (NERF) licence to Foreground IP before the project starts as part of the collaborative agreement, in which case the non exclusive royalty free licence(s) will be executed on completion of the project. The contribution made by the industry party will be taken into consideration in determining licence terms. Any State aid implications will be factored in.



The industry party may also be able to take assignment of certain IP (limited to Non Severable Improvements) that is directly linked to the industry partner's important pre-existing IP that has been brought to the project (which is called Significant Background IP). What constitutes Significant Background IP will be agreed upfront by the parties. The majority of IP introduced into a project (by either party) as Background IP is not expected to fall into this category.

Joint ownership of Foreground IP should be avoided as it involves complex management arrangements.

Further information can be found in Section 2.6 of the [Protocol](#).

Access to Background IP used in a Collaborative Research Project

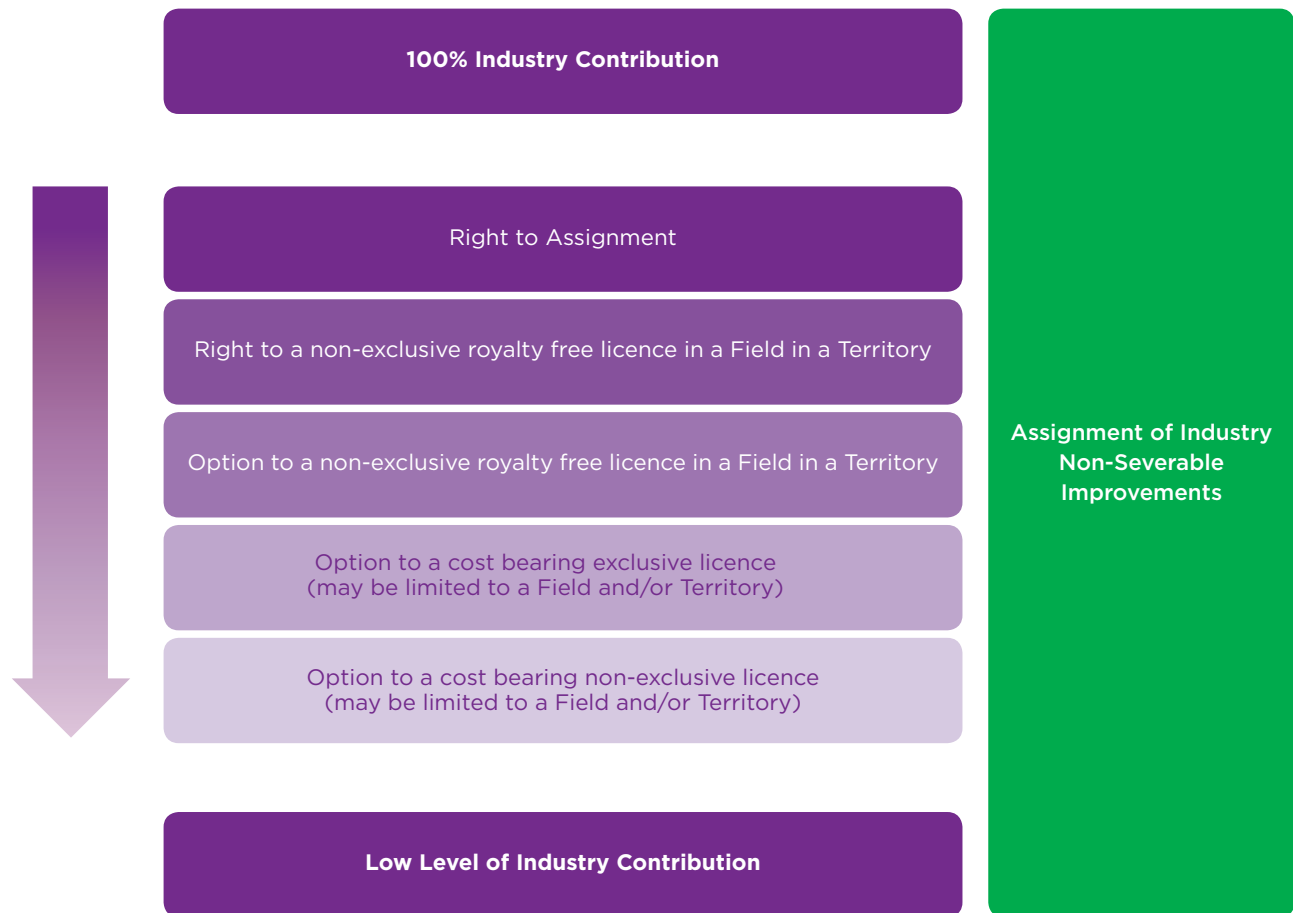
Either party may bring existing IP for use in a Collaborative Research Project. This is called Background IP. The party introducing its Background IP should grant to the other party a non exclusive royalty free (NERF) licence to use that Background IP to carry out the research project.

In some cases, Background IP introduced by the RPO may be required for the commercialisation of Foreground IP by the industry party. The RPO will confirm at the start, in the Collaborative Research Agreement, whether its Background IP will be available for use by an industry party after the end of the project. If so, the industry party shall have a right to negotiate a non exclusive licence, on fair commercial terms, to this Background IP for the purpose of commercialising the Foreground IP.



Negotiating rights to IP from collaborative research

When a company or entrepreneur intends to benefit from intellectual property developed (or to be developed) by or with an RPO, the way in which the IP is developed and who has contributed financially will need to be taken into consideration. The checklist below helps aid that understanding to support speed, consistency and predictability of outcomes in the negotiation process. Simply put, the more an industry party contributes to the research project, the greater the rights it is entitled to receive.



State aid implications in Collaborative Research

State aid rules ensure that there is fair and open competition within the EU without Member States unfairly subsidising an “undertaking” (an entity that carries out economic activity, selling goods or services on a market.) RPOs need to understand whether their activities could fall foul of State aid regulations by providing direct or indirect State aid to an undertaking. There are potential financial implications for industry partners if State aid rules are not adhered to. The European Commission has developed rules which facilitate Collaborative Research and other activities commonly undertaken by RPOs in the context of State aid. These are set out in the European Commission Communication “Framework for State aid for research and development and innovation,” (C(2014)3282) and can be found at http://ec.europa.eu/competition/state_aid/modernisation/rdi_framework_en.pdf. This includes an explanation as to how Collaborative Research can be structured in such a way so as to involve no State aid.

*More information on State aid in the context of Collaborative Research can be found in Chapter 6 of the Protocol and KTI has produced a **Practical Guide to State Aid Considerations in Research, Development and Innovation for RPOs and Industry.***

Collaborative Research Agreements

A Collaborative Research Agreement is a contract which governs the terms under which the research project will be conducted. It is good practice to document the arrangements through this type of contract. Protocol requires that the Collaborative Research Agreement is negotiated and signed by both parties prior to the work commencing. This is also necessary to comply with State aid rules. It should include the terms and conditions that relate to:

- Details of the research to be undertaken and who will carry it out - the Programme Plan.
- Mechanisms for the identification and protection of IP developed during the project.
- Management of IP, including payment of associated costs.
- Licensing and/or assignment of IP arising in performance of the project, often called Foreground IP.
- Licensing of pre-existing IP introduced into the collaboration and owned or licensed by the RPO and/or the industry party, usually called Background IP.
- Publication of research results.



Using KTI Model Agreements

The KTI Practical Guide to Collaborative Research Agreements sets out the issues to consider when entering into a research collaboration. It contains annotated Model Agreements with drafting notes that help to explain various clauses in the contracts. The type of agreement to be used in a given situation will depend on what each party is putting in to the collaboration and what each wants to get out of the project. The KTI template Model Agreements simplify and speed up the process of negotiation between industry and RPOs engaging in collaborative research.

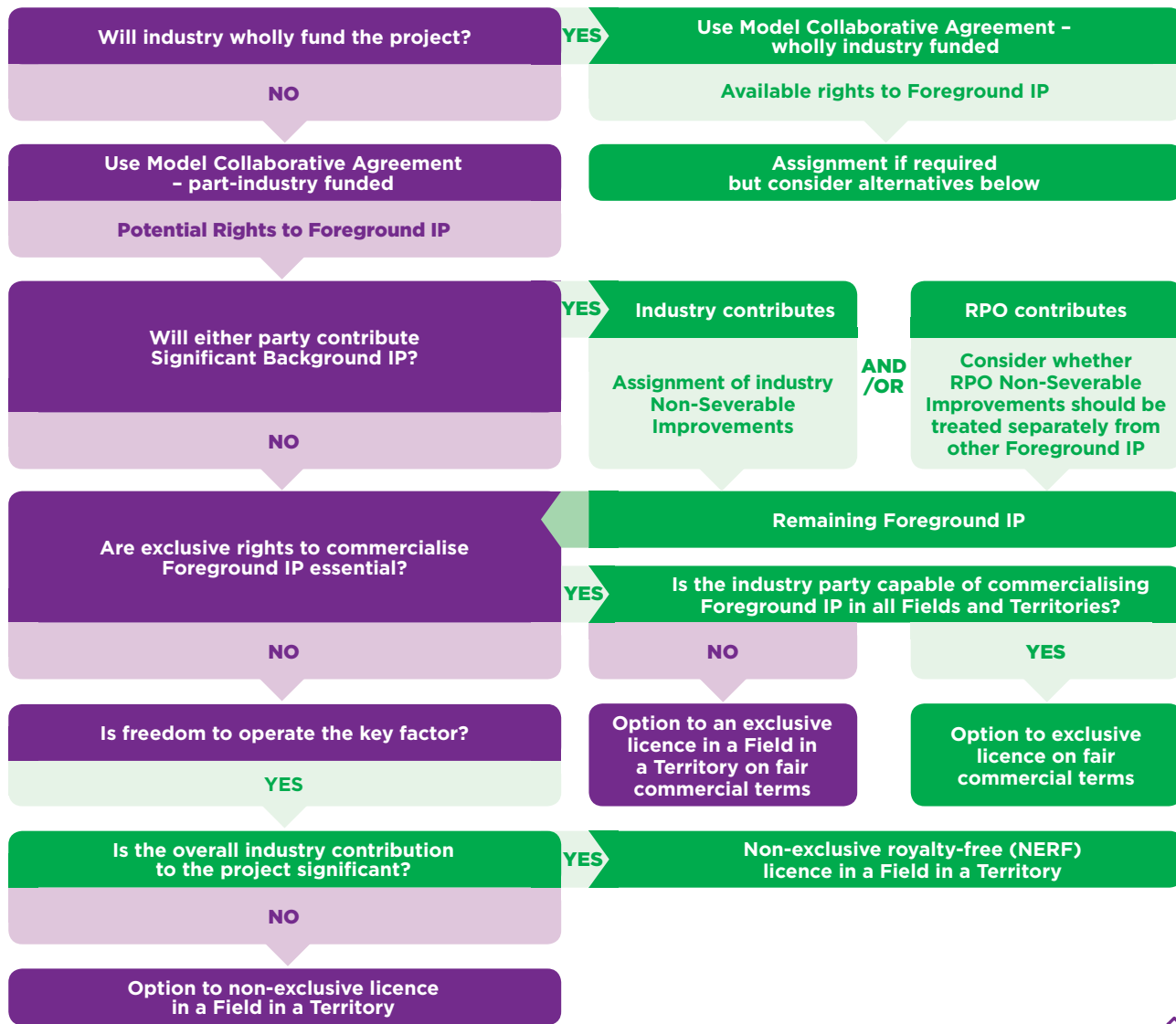
The Model Agreements are available to download in Word format from the KTI website <https://www.knowledgetransferireland.com/Model-Agreements> and can be used direct or as a starting point for drafting and negotiation.

The KTI Practical Guide to Licence Agreements and the accompanying suite of Model Licence Agreements are a useful resource when licensing Foreground IP.

The following Decision Guide helps in choosing the right Collaborative Research Agreement to use. It also outlines the associated rights to IP that will apply under each agreement. This Decision Guide assumes that industry is paying all or part of the costs of the research project. Rights to IP arising in the project (Foreground IP) will be described in the collaboration agreement.



Choosing the appropriate Collaborative Research Agreement and the IP rights available



Licensing



Access to IP from research that is wholly funded by the State

There is an abundance of IP available to license from RPOs in addition to that generated from Collaborative Research. The RPO may grant a licence(s) to any IP arising from wholly State funded research on fair commercial terms on an exclusive or non exclusive basis.

In exceptional circumstances, an RPO may agree to transfer or assign ownership of its IP, subject to compliance with EU State Aid obligations and to the assignment being consistent with the policy objectives of the National IP Protocol.

Details of IP available for licensing from all of Ireland's research organisations can be found at www.knowledgetransferireland.com/Find a Research Partner/Browse Licensing Opportunities.

More information can be found in Section 2.4 of the [Protocol](#).

General principles in IP licensing

- ▶ IP licences granted by RPOs shall be for defined purposes, Fields, duration and Territories and on fair commercial terms.
- ▶ All licences should provide for their termination (for example, in the case of a material breach of the licence terms by the licensee or the insolvency of the licensee), so as to enable the RPO owning the intellectual property to seek further commercial opportunities for that intellectual property.
- ▶ Know-how, research tools and other broad enabling technologies owned by the RPO should be very clearly described in licence agreements so that they are clearly identifiable and ring-fenced from other Background IP of the licensing RPO.



▶ IP rights in such know-how, research tools and technologies owned by the RPO should normally not be assigned or licensed exclusively and should only be licensed on a non-exclusive basis, as assignment or an exclusive licence may preclude the RPO from undertaking further teaching, research or commercialisation activities in connection with the intellectual property in the know-how, research tools and technologies in question. They should only be licensed on an exclusive basis where:

- The licensee can reasonably demonstrate to the satisfaction of the RPO that an exclusive IP licence is essential for the licensee properly to commercialise the intellectual property it wishes to license from the RPO.
- The RPO is satisfied that the exclusive nature of the licence will not restrict its ability to continue its teaching, research and commercialisation activities in the Field in question.
- The know-how, research tools and other broad enabling technologies are very clearly described in such detail and manner as would allow the RPO to ensure compliance with the exclusive IP licensee.

▶ The RPO shall retain the right to use licensed or assigned IP in all Fields or applications for internal research and teaching purposes. Where an exclusive licence has been granted to an industry party for defined Fields or applications, the RPO shall retain the right to commercialise the IP and to use it for Collaborative Research in all other Fields or applications. Where a non exclusive licence has been granted, the RPO shall retain the right to commercialise the IP and to use it for collaborative research in all Fields and applications.

▶ The licensee shall assume any liability which may arise from use, commercialisation and translation into products of any IP it licenses from an RPO and shall indemnify the RPO against any such liability.





In view of the open and academic nature of RPOs, they should not offer warranties or representations or assume liabilities concerning IP management or protection. An organisation contemplating the commercialisation of IP provided by an RPO should itself take whatever steps it considers necessary to satisfy itself as to the condition or level of protection of the IP.



For IP licensed from a research collaboration, the costs of applying for a patent or other protection for Foreground IP owned by an RPO should be met by that RPO up to the grant of any licence relating to that IP. When an exclusive IP licence is granted, the licensee should meet all subsequent patent costs or other IP protection costs from the grant of the licence. Reimbursement of prior patent costs may be included in the licence fee. The RPO should agree the strategy for patenting and other registrable IP with any licensees or other parties who have exclusive rights or options to negotiate exclusive licences with the RPO.



While an RPO will not normally consider assigning ownership of its IP, it may in exceptional circumstances, once IP has been created, agree to transfer or assign ownership of the IP, provided that it: satisfies itself that the industry party will commercialise the assigned IP for the benefit of Ireland; receives fair value in return and is able to continue its non commercial research and teaching in all Fields and to use the assigned IP for those research and teaching purposes.

More information on licensing can be found in Chapter 3 of the [Protocol](#).



Spin-Out Company Formation



Spin-out Company Formation

The Protocol sets out the principles and processes involved in spin-out company formation from RPOs and describes the main considerations for those who are involved in creating these new companies.

The regulations and procedures around the creation of spin-out companies are covered in the RPO's Policy for IP Commercialisation, which extends to the specific researcher(s) or other individual(s) within the RPO who are involved with the company. It is important that any conflicts of interest (actual or potential) are addressed. Spin-out companies are usually reliant on some form of IP from the RPO and will usually take a licence to that IP in addition to granting an equity share to the RPO.

The Protocol describes what the RPO would expect to see in order to be able to consider a spin-out company for approval. It also details the kinds of considerations that should be weighed up when any party is thinking about forming a company. Together these include:

- Value proposition
- Commercial feasibility
- Route to revenue realisation
- The financial investment required
- Financial return
- Availability of the RPO IP and freedom to operate
- Potential licence from the RPO
- Equity share with the RPO
- Personal commitment required to drive the venture
- Risk appetite for those involved in the spin-out

In forming a spin-out company, there are a number of legal agreements that need to be put in place to ensure that all parties involved understand their commitment and obligations and how they will benefit and to provide the company with access to the intellectual property it needs to establish itself. The **KTI Practical Guide to Spinout Company Agreements** describes this in detail and annotated versions of the agreements (that explain the clauses) are available in **Companion Guide to the Practical Guide to Spinout Company Agreements** along with Word versions of the agreements that are available to download and use. All are available at **www.knowledgetransferireland.com**

There is no standard model for forming a spin-out company but the following diagram shows a typical spin-out journey.



Pre Spin-Out

- R&D
- Develop business proposition
- Protect IP
- Entrepreneur engagement
- Sign IP term sheet or option or stand still letter
- Agree RPO/Academic Founder equity share

- Grants
- Proof of Concept Funding
- RPO Support, Training, Development Programmes

Spin-Out

- Register company
- Execute legal agreements
- Shareholder Subscription, Constitution, Licence
- Secure investment/revenue
- Build Team/Contract out R&D
- Find Space – lease/rent

- Initial investment
- Seed funding
- Revenue
- Loan
- Grants e.g. EU Funding

Growth

- Technology development
- Expand Staff & Space
- Comply with regulatory requirements
- Sales
- Supply & distribution agreements
- Market expansion
- Seek funding/revenue

- Follow-On Investment round(s)
- Revenue
- Loan
- Grants
- Dilution of initial shareholding

Exit

- Acquisition
- Merger
- IPO

- Liquidity in shareholding

Company Roles and Responsibilities

The Protocol discusses the people and organisations involved in creating a spin-out company. These include:

- Founders (either from the RPO and/or external to the RPO),
- Investors
- The RPO itself
- Directors and Observers to the Board

As the company develops from a concept to a fully-fledged venture, roles and responsibilities will become more formalised in the company. The complement of people and roles will change as the company matures, for example as management and staff are recruited and as new investors and partners are involved. Interests will be aligned at the start but may diverge as the company develops and as the roles and perspectives of those involved may change.

How the company will be governed, and the relationship of those involved should be detailed in legal contracts that include levels of equity share; details of investment (pre-formation or subsequent); composition of the Board of Directors; when shares may be sold etc.

It is also important that people involved as Directors or Observers to the Board of the company understand their duties and liabilities. These are summarised in Chapter 4.1.5 of the Protocol and described more fully in the **KTI Practical Guide to the Duties of Directors and Observers**

The types of shares that may be granted are detailed in the **Practical Guide to Spin-out Company Agreements**.

*More detailed information on the kinds of agreements relating to spin-out company formation can be found in Chapter 4 of the **Protocol**.*



Ireland's Knowledge Transfer System & Available Supports

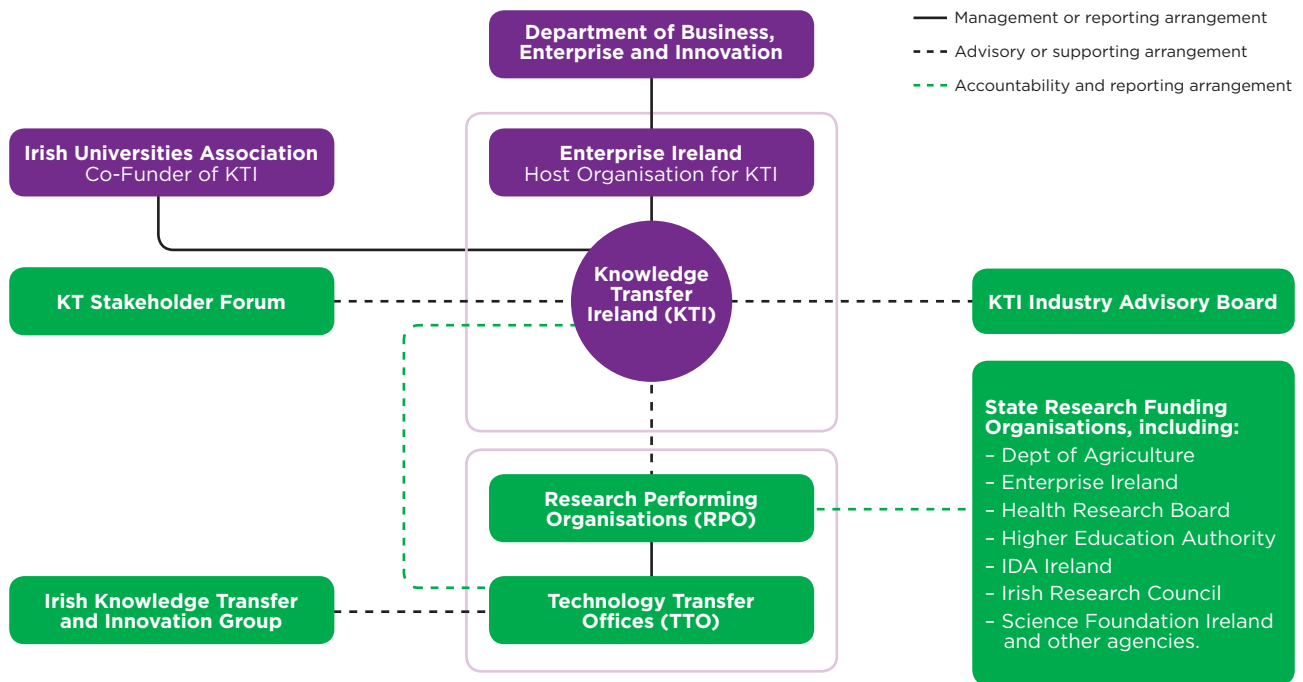


The knowledge transfer system

Ireland benefits from a nationally integrated knowledge transfer (KT) system which supports and stimulates industry-RPO engagement, the creation of new companies and the commercialisation of the outputs of research that reinforces Ireland's reputation as a great place for industry to do business. The aims of this national system are to:

- ensure simple and easy accessibility for industry and entrepreneurs.
- allow for flexibility and responsiveness.
- serve as an interface between industry and the research community.
- ensure high standards and performance.
- provide sound governance.

Ireland's knowledge transfer system



The KTI website provides detailed information on the KT system, including a searchable contacts database of researchers and research centres in Ireland. www.knowledgetransferireland.com

Resources and supports

The State supports available to assist companies wishing to engage in R&D and innovation can be found on the KTI website. There is also a range of resources managed and maintained by KTI to support industry-RPO engagement and new company formation including:

- A suite of Practical Guides that explain various contracts and what to think about when drafting and negotiating a research agreement, licensing IP or forming a spin-out.
- Guidance on the area of IP and confidentiality.
- A collection of template Model Agreements freely available for download and use.
- Searchable databases including: research expertise; licensing opportunities; the national Directory of Innovation Supports, Research Centres, Technology Centres and Gateways; information on RPOs and; contact details for key people in the KT system.
- Searchable database of funding available to support R&D and Innovation.

Knowledge Transfer Ireland also hosts a number of third-party publications, sources of useful information and reference documents in relation to research commercialisation.

These resources and supports can be found at www.knowledgetransferireland.com



Summary of terms

Background IP	Any Intellectual Property, including in any Material (see below) that is brought into a project for use during the project.
Commercialisation	The use of IP to create, conduct or develop a commercial activity. This may involve exclusive or non exclusive licensing or assignment of the IP, may lead to new company formation or the introduction of new or improved products or services.
Field	Field of use/area of application.
Foreground IP	IP which comes into existence in the course of performance of a project.
Founder	Spin-out company founders may come from the RPO and/or be external to the RPO. All should be contributing to the creation and development of the company and will be taking some risk through their involvement. For example, financial investment, time contribution, reputation. Founders shall be entitled to take equity in the company and are likely to have a seat on the board of directors. Founder may be investors in the spin-out.
Industry	A collective terms for commercial or “for profit” enterprise.
Industry Party	A commercial or “for profit” enterprise engaging with an RPO in a programme.
Intellectual Property	Patents, trademarks, service marks, registered designs, drawings, utility models, design rights, business ideas, concepts, inventions, discoveries, breeders’ rights, copyright (including the copyright in software in any code), database rights, know how, trade secrets and other confidential information, technology, business or trade names, goodwill and all other rights of a similar or corresponding nature in any part of the world, whether registered or not or capable of registration or not, and including all applications and the right to apply for any of the foregoing rights.

Knowledge Transfer Ireland (KTI)	The central office responsible for the knowledge transfer (KT)/technology transfer (TT) system in Ireland.
Materials	Any and all works of authorship and materials, including, without limitation, data, any functional, technical and/or performance specification, devices, machinery, samples, products, sensors and data derived therefrom, biological materials, software programs, any other inanimate or animate matter, any and all reports, studies, data, diagrams, drawings, charts, specifications, and such other materials in whatever medium (including without limitation, written or printed, electronic or otherwise, computer discs, floppy discs, CDs, diskettes, tapes or other formats).
Model Agreements	A set of template agreements maintained by KTI and updated from time to time which can be found at www.knowledgetransferireland.com/Model Agreements
Non exclusive royalty free (NERF) licence	A licence to use IP under which the licensee is not required to pay any amounts (whether initial recurring royalties or milestone payments). Except that the licensee may be required to pay some or all of any costs for prosecution, maintenance and defence of any patent or similar granted IP rights.
Non Severable Improvement	IP that, at a minimum: Was created using Significant Background introduced to the project and; Cannot be used or commercialised without infringing on the Significant Background.
Project or Programme	A set of agreed research activities.
Programme Plan	A description of the research work to be undertaken during the project and who will carry it out.

<p>Publication</p>	<p>The publication of research results or of any part of IP resultant from any programme, in any public format or for a, including (without limitation) journals, conference proceedings, conference abstracts, conference presentations, Ph.D./M.Sc./B.Sc. thesis, website.</p>
<p>Research Performing Organisation or RPO</p>	<p>Any organisation that performs research funded at least in part by the State; the term includes universities, institutes of technology, Teagasc, NIBRT, clinical research facilities or translational medicine facilities based at hospitals and other publicly funded research institutions.</p>
<p>Researcher</p>	<p>A researcher named in a Programme Plan or programme and such other employees (part time or full time), Post Doctoral fellows, visiting scholars, PhD and other students, visiting researchers as well as consultants, hospital consultants, sub-contractors and any other individuals engaged or involved in the programme at any time, for or on behalf of the RPO (whether or not engaged by contract). Researchers involved in a programme may also be from the industry party.</p>
<p>Significant Background</p>	<p>Background IP introduced to a project where: The Background IP is the subject of a granted patent, and/or; The project substantially relies on this Background IP and without it the project would be difficult or impossible to carry out.</p>
<p>Stand Still Letter</p>	<p>A simple letter of understanding offered at the initial stage of spin-out project development of at company formation in which the RPO commits not to market or license the IP to any third parties for an agreed period.</p>

Start-up	A company from an RPO created by staff or students but which is not based on IP or knowledge to which the RPO has rights under its Policy for IP commercialisation. As such, the company is not required to negotiate a formal IP Licence or equity share with the RPO.
State research funding organisations	Organisations which distribute funding provided by the State to RPOs, including but not limited to the Higher Education Authority (HEA), Irish Research Council (IRC), Science Foundation Ireland (SFI), Enterprise Ireland (EI), IDA Ireland and other government funding agencies.
Technology Transfer Office or TTO	A team within an RPO which leads the work of identifying and commercialising IP arising from research by that RPO. This includes negotiation and concluding agreements with industry parties.

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