

Overview to the KTI Practical Guides to Model Agreements

The KTI Practical Guides have been produced as a resource for those approaching transactions between Irish research performing organisations (RPOs) and commercial companies. Each Practical Guide explains common terms in the agreements and describes the considerations that might apply. The KTI Model Agreements contained in each Practical Guide take account of the legal constraints upon RPOs when entering into contracts, as well as the unique nature of RPOs, whose primary purpose is not for profit rather than commercial. At the same time, the terms of the agreements seek to address the typical commercial priorities of companies. The Guides are based on European best practice.

Within those parameters, the agreements are designed to be straightforward and easy to use. The current Model Agreements available are:

- eight intellectual property licence agreements
- one term sheet for a licence agreement
- one term sheet for a collaborative research agreement
- two option agreements
- two confidentiality agreements
- two material transfer agreements
- one consultancy agreement
- three assignments
- one heads of agreement for Enterprise Ireland Innovation Partnership Programme

Which agreement should I use?

Licence Agreements

There are many types of licence agreement, but the main variations encountered in RPO licensing include the following:

- Very detailed licence agreements for major deals, versus shorter agreements for low value transactions
- Licence agreements that focus on IP rights such as patents and know-how, versus licence agreements for software
- Exclusive or non-exclusive licences

It is considered impractical to provide separate model agreements to address all of these (and other) variations, and in any case licensing is an important commercial transaction where parties should be supported by legal and other professionals who have the skills to produce tailor-made agreements for the individual transaction. Therefore we have focussed on five key types of model licence agreement, which could form the basis of individually-tailored agreements. The five types are:

1. *Exclusive, detailed technology licence agreement:* A detailed, exclusive licence agreement that has been drafted with patents and know-how in mind as the main types of IP being licensed, but which could be used as the basis for other types of IP licensing.
2. *Exclusive, detailed software licence agreement:* A detailed, exclusive licence agreement that has been designed for use where software is the main technology that is being licensed. This agreement is different to an end-user licence agreement, as it assumes that the licensee will be commercialising the software rather than just using it internally. The 'look and feel' of this agreement is nevertheless closer to the exclusive, detailed technology licence agreement mentioned above than to a typical commercial software supply agreement, to reflect the fact that most RPOs do not develop fully-commercial software that is ready for commercial use at the time of licensing, but rather they tend to license a technology package based on software that may require further commercial development to bring it to market.
3. *Non-exclusive, short-form technology licence agreement:* This agreement has been drafted with patents and know-how in mind as the main types of IP being licensed, and is deliberately kept fairly simple. The document provides the basic terms of a licence agreement but without many

of the 'bells and whistles' that one would usually wish to see in a higher value or exclusive licence agreement. In suitable cases, the drafter may wish to 'mix and match' by taking individual provisions from the exclusive, detailed technology licence agreement and slotting them into this agreement.

4. *Non-exclusive software licence agreements:* Four non-exclusive software licence agreements have been included in the suite of KTI Model Agreements, namely two end-user software licence agreements and two non-exclusive software licence agreements.
 - Each end-user software licence agreement is a set of end-user licence terms, suitable as the starting point when the licensee is an end-user of the software rather than a developer or someone who is seeking to sell or license the software to others. The end-user software licence agreement has been included in the suite of KTI Model Agreements in two forms. Firstly, it has been included as a conventional, standalone agreement which assumes that the parties will complete the missing details and sign. Secondly, it has been included in a form which assumes that the end-user will download the software from a website and accept the end-user licence terms by clicking on an "I accept" button.
 - Each non-exclusive software licence agreement allows commercial use of the software in a particular field and territory. The non-exclusive software licence agreement has been included in the suite of KTI Model Agreements in two forms. Firstly, it has been included in a form that anticipates that royalties will be payable to the RPO, and secondly it has also been included in a form that does not anticipate that any royalty-based payments will be made. For consistency, both non-exclusive software licence agreements are cut down versions of the exclusive, detailed software licence agreement. In some cases, however, the non-exclusive software licence agreement may be thought still too detailed and cut down further. Alternatively, additional clauses can be added from the exclusive, detailed software licence agreement if appropriate in the individual circumstances.
5. *Non-exclusive, royalty-free (NERF) technology licence agreement:* This agreement has been drafted to be compatible with the description of a 'NERF' licence in the national IP Protocol published by the Irish government. In summary, the IP Protocol sets out the Irish government's public policy positions in relation to the development, use and commercialisation of intellectual property by third level institutions and public bodies in Ireland. For consistency between the documents in the suite of KTI Model Agreements, the non-exclusive, royalty-free (NERF) licence agreement is based on the non-exclusive, short-form technology licence agreement, but has been stripped down further and has also had some modifications made in order to bring the document in line with the IP Protocol. The non-exclusive, royalty-free (NERF) licence agreement is not specific to any particular type of IP and may be adapted for use when patent, software, or other types of IP are relevant.

Term Sheet

Sometimes, parties in negotiations agree certain key terms for the proposed agreement before they engage in detailed negotiations over the wording of the final contract. These key terms can be recorded in a document called a 'term sheet'.

In the drafters' view, term sheets are most useful when they are short, simple summaries of the key commercial terms for the deal, at a 'headline' level. Subsequent, detailed negotiations of the final contract are then conducted with one eye on the term sheet, and if a party proposes terms that are inconsistent with the term sheet the other party may object strongly.

An important issue to make clear when negotiating a term sheet is whether or not the term sheet is intended to be legally binding. In most cases, the answer will be that it is not intended to be legally binding and wording should be included in the term sheet to make this point explicit.

The term sheet that Knowledge Transfer Ireland has commissioned is:

1. A term sheet for a licence agreement, which follows the above approach and includes wording to make clear that the term sheet is not intended to be legally binding.

Option Agreements

Sometimes, a commercial company is interested in the possibility of acquiring a licence to RPO technology, but is not ready to negotiate the terms of the licence agreement or wishes to delay committing to the obligations of such an agreement. In such circumstances, an RPO is sometimes willing to grant the company an option to negotiate a licence agreement or an option to enter into a pre-agreed licence agreement at a future date. In either case, the RPO may be providing value in agreeing to such terms (e.g. by foregoing the possibility of licensing someone else during the option term) and therefore might expect to receive an option fee or other consideration for the grant of the option.

A variant on an option agreement is where the commercial company wishes to undertake an evaluation of the technology before deciding whether to enter into a licence agreement with the RPO, and for this purpose requires a short-term licence to allow it to conduct the evaluation.

The two option agreements that Knowledge Transfer Ireland has commissioned comprise:

1. A simple option agreement which includes various optional clauses.
2. A combined option and evaluation agreement. As well as the option terms set out in the simple option agreement, this agreement has a set of terms dealing with the company's rights to evaluate the technology and associated obligations, e.g. to provide the RPO with a report on the evaluation.

Confidentiality Agreements

Parties sometimes wish to disclose or receive confidential information in order to decide whether to enter into a more substantive agreement such as a research collaboration agreement or licence agreement. It is important that any such disclosures are under the terms of a written confidentiality agreement. For example this may be important both to protect the information as a secret and to ensure that the opportunity to file patent applications is not lost by prior public disclosure.

In most cases, the parties want a straightforward confidentiality agreement that is not weighted towards either party's selfish interests. This is particularly likely to be the case where both parties are disclosing information under a two-way confidentiality agreement. In the drafters' view, it simplifies discussions if the parties work with confidentiality agreements that they would be prepared to sign whether as discloser or recipient of the confidential information. Neither of the two confidentiality agreements mentioned below tries to take a strongly partisan approach.

The two confidentiality agreements that Knowledge Transfer Ireland has commissioned are:

1. A one-way confidentiality agreement.
2. A two-way confidentiality agreement.

Material Transfer Agreements

Parties sometimes wish to provide or receive biological and other materials. This is commonly done under the terms of a material transfer agreement (MTA). MTAs can take different forms but at their simplest the provider of the materials does so as a favour and without payment. The main issues that arise from this very simple relationship, and which are often addressed in an MTA, include: (a) that the materials are being provided without warranties and on the basis that the recipient indemnifies the provider against liability arising from the use of the materials by the provider, and (b) who owns any intellectual property that arises from the use of the materials, who is licensed to use that IP, and whether a party is entitled to share in any revenues that may be generated from the use of that IP.

Sometimes, MTAs are more sophisticated than the type mentioned above. These and other issues are explored in more detail in the commentaries that accompany the Model MTAs. Two versions of a simple MTA are provided, namely:

1. An MTA where the RPO is providing materials.
2. An MTA where the RPO is receiving materials.

Consultancy Agreement

A consultancy agreement is a contract under which one party agrees to provide advice and other related services to another party, usually in return for a sum of money. Consultancy agreements can be distinguished from other types of contract that an RPO might enter into as they involve the RPO providing specific services to a third party in respect of which there may be a profit element, in addition to the RPO covering the costs of doing the work.

The knowledge and skills of academics are some of the main assets of an RPO and are highly valued by companies and other external organisations. Whilst consultancy may generate revenue, whether for the RPO or for the individual academic, this is rarely the main reason for entering into a consultancy agreement. Commonly encountered reasons include:

- increasing the impact of academic research by making the skills and knowledge that an academic has developed available to third parties;
- developing the skills and knowledge of academic and technical staff and students in the 'real world';
- testing ideas, inventions, practices, etc. developed at the RPO; and
- establishing relationships with third parties who may wish to collaborate on, or fund, future research projects, studentships, etc.

Broadly speaking, there are two different approaches to entering into consultancy agreements, namely either the RPO contracts directly with the client or the academic contracts directly with the client. As personal academic consultancy contracts are not the subject of advice from Knowledge Transfer Ireland, the consultancy agreement that KTI has commissioned is:

1. A consultancy agreement where the RPO contracts directly with the client.

Assignments

An IP assignment is a contract that transfers ownership of intellectual property from one person or organisation to another. It can be distinguished from an IP licence agreement in that, with an IP licence the owning party will grant the licensee a right under the IP (e.g. to manufacture certain products), but ownership of the IP right itself remains with the licensor.

Inherent with an IP assignment is a loss of control of the assets from the date of assignment as the new owner will usually be able to do what it likes with the IP, including transferring ownership to another party.

The three assignments that Knowledge Transfer Ireland has commissioned comprise:

1. A patent assignment, which is designed for use where the only intellectual property being assigned by the RPO to a third party is patents and/or patent applications.
2. An IP assignment, which is a general assignment of intellectual property with optional provisions for the assignment of patents, copyright and other types of IP. As for the model patent assignment, the general IP assignment has been drafted on the assumption that the RPO will be the assignor.
3. A confirmatory assignment for the assignment (or for the confirmation of the assignment of) intellectual property from an academic or student to the RPO. Confirmatory assignments are typically used to give the RPO assurance that it has the necessary rights to licence and/or assign certain intellectual property and also to act as a convenient way for the RPO to demonstrate ownership of the intellectual property to third parties.