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**NOTE**

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from : the Presidency  
to : Delegations

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Subject : Initiative for a charter for the management of intellectual property from public  
research institutions and universities  
- Presidency Key Issues Paper

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Delegations will find attached this document.

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**Key Issues Paper of the German Council Presidency  
for the Informal Competitiveness Council  
in Würzburg on 26/27 April 2007**

**CHARTER for the management of intellectual property from  
public research institutions and universities (IP CHARTER)**

**I. Current situation – Intellectual property in Europe**

The European Council meeting in Lisbon in March 2000 formulated the goal of making the Union the most competitive and dynamic knowledge-based economy in the world. In order to achieve this goal, a European Area of Research and Innovation is to be established in which research activities at national and Union level are better integrated and efficient and innovative R&D partnerships made possible<sup>1</sup>. The Council recognized the Europe-wide standardized protection of intellectual property as a major aspect of research cooperation for implementing the Lisbon Strategy. In its 2005 action programme for relaunch of the Lisbon Strategy, the Commission confirmed the major goal of standardized intellectual property protection<sup>2</sup> and emphasized the following with regard to implementing the renewed Lisbon Strategy:

*"Europe urgently needs a clear and coherent framework for intellectual property protection, based on high quality, affordability, convergence and balance between users and right holders so that ideas can circulate easily in a dynamic information society."<sup>3</sup>*

The European Council emphasized in its Conclusions of December 2006 the necessity of a comprehensive Intellectual Property Rights Strategy<sup>4</sup>, and in March 2007 it stressed that, beside this strategy, there was a need for regulating technology transfer between public research and industry. The Council pointed out that the protection of intellectual property rights had to be stepped up and that the development and dissemination of European standards needed to be accelerated in order to address the demands of innovative and knowledge-driven markets<sup>5</sup>.

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<sup>1</sup> Presidency Conclusions, Lisbon European Council, 23 and 24 March 2000 (No. 100/1/00).

<sup>2</sup> Communication to the Spring European Council – Working together for growth and jobs. A new start for the Lisbon Strategy, 2.2.2005, COM (2005) 24 final.

<sup>3</sup> Communication to the Spring European Council – Implementing the renewed Lisbon Strategy for growth and jobs, 12.12.2006, COM (2006) 816 final.

<sup>4</sup> Presidency Conclusions, Brussels European Council, 14 and 15 December 2006 (No. 16879/1/06).

<sup>5</sup> Presidency Conclusions, Brussels European Council, 8 and 9 March 2007 (No. 7224/07).

These statements were made with regard to the great number of national and European provisions and the different EU harmonization levels reached for the various categories of intellectual property (patents, utility models, design patents, trademarks, copyrights, etc.). Currently there is no Community-wide, democratically authorized regulatory framework which outlines the principles and an understanding of the management of intellectual property at public research institutions and universities and shows practical ways towards solution. Collaborative research under the Research Framework Programme is governed by IP rules – based on the rules for participation and the model grant agreement – which can be further specified by the research partners within the framework of a consortium agreement. But outside the Research Framework Programme, there is no such framework for:

- Collaborative research, particularly between public research institutions and industry,
- Contract research, particularly contracts awarded by companies to universities and public research institutions, and
- Research promotion with funds provided by the public sector or foundations.

As there is no such frame of reference, intellectual property is often not professionally exploited by the cooperation partners in European and international research collaborations. The research findings of research institutions are therefore not commercialized to the extent required.

## **II. Proposal for the establishment of an IP Charter – professionalism, efficiency and reliability in the management of intellectual property**

The active professional management of intellectual property is a major factor which shapes the cooperation between research institutions and industry and which is crucial for innovation and the resulting competitiveness of the European Union. The Presidency therefore proposes the establishment of a European Charter for the management of intellectual property from public research institutions and universities (IP Charter).

This proposal of the German Council Presidency is based on a variety of national and international surveys, reports and other documents. Many of these documents are only known to the expert community or at national level and do not have the same political weight as a Charter adopted by the Council. For example, the working documents of the Commission services have considerably less political authority than a Charter. The documents to which the Council Presidency refers include the following:

- Improving knowledge transfer between research institutions and industry across Europe: embracing open innovation (Communication from the European Commission)<sup>6</sup>
- Management of intellectual property in publicly funded research organisations: Towards European Guidelines (EU), (European Commission)<sup>7</sup>,
- Responsible Partnering Initiative (EIRMA, EARTO, EUA, ProTon Europe)<sup>8</sup>,
- CREST Report<sup>9</sup> (CREST OMC Expert Group),
- Lambert Agreements – A toolkit for universities and companies in publicly funded research projects (UK) (Lambert Working Group)<sup>10</sup>.

The German Council Presidency wants to draw Europe-wide attention to these and other activities by including major aspects in the IP Charter.

The aim of the IP Charter is to raise general awareness of the professional and fair management of intellectual property in the European Research Area. This is a prerequisite for effectively feeding research findings into the value added chain, thereby promoting the permanent development of innovative products.

The IP Charter is addressed to the member states, which are to be encouraged to support the establishment of principles for the proper management of intellectual property. In addition, the IP Charter is addressed to public research institutions and universities, which are to be encouraged to professionalize their management of intellectual property in accordance with the standards proposed by the Charter. The IP Charter would in fact affect all potential cooperation partners, who could take improved professional management of intellectual property for granted in their cooperation with research institutions and universities and who are invited to also let themselves be guided by the Charter when designing their own activities.

The IP Charter is meant as a frame of reference which could be used on a voluntary basis by cooperation and/or negotiation partners for settling any issues relating to intellectual property rights in available or future research results. The establishment of an IP Charter would provide a Community framework ensuring consistent management throughout the EU of research results generated by collaborations between publicly funded research institutions and industry. The purpose of the IP Charter is to highlight a common European understanding and common values with regard to the management of intellectual property in the field of research.

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<sup>6</sup> Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: Improving knowledge transfer between research institutions and industry across Europe: embracing open innovation – Implementing the Lisbon agenda; 04.04.2007, COM (2007) 182 final.

<sup>7</sup> Management of intellectual property in publicly-funded research organisations: Towards European Guidelines (EU), <http://ec.europa.eu/research/era/pdf/iprmanagementguidelines-report.pdf>

<sup>8</sup> <http://www.responsible-partnering.org>

<sup>9</sup> CREST Report, Cross-border collaboration between publicly funded research organisations and industry and technology transfer training, <http://www.patent.gov.uk/crestreport.pdf>

<sup>10</sup> Lambert Agreements – A toolkit for universities and companies wishing to undertake collaborative research projects (UK), <http://www.innovation.gov.uk/lambertagreements/>

With an IP Charter, the European Community would at the same time be able to meet the challenges of advancing globalization and the increasing international competitive pressure. For the first time, a document dealing with the management of intellectual property in the field of research would be the subject of high-level discussions by the member states and would be adopted by the Competitiveness Council in the form of a recommendation which, though having no binding force, would have a great political impact. An IP Charter would clearly signal to third countries and international research partners that the European Community has agreed on common values and standards for the management of intellectual property in research collaborations. Europe would thus document its understanding of the fair and just management of intellectual property – including all categories of intellectual property which would be covered by the broad scope of the Charter.

With an IP Charter, the European Community would also strengthen the negotiating position of the research institutions of all 27 member states vis-à-vis international partners by enabling them to base their cooperation on a frame of reference which is accepted throughout the Community and sets out standard rules for the management of intellectual property. Particularly in Europe-wide and international research cooperation, the research institutions have to deal with different IP-relevant rules, practices and traditions with which they are often not sufficiently familiar. An insufficient knowledge of the great number of such rules makes the management of intellectual property and the exploitation of research results more difficult, which may lead to unexpected and unintended results. An IP Charter would reduce such uncertainties as well as the risk of uncontrolled know-how drain – often resulting from the above deficits or a weak negotiating position.

Furthermore, the IP Charter should become part of the initiated strategy for developing a common European research culture. The assets and creative potential of Europe can be assigned to three core areas: well-trained researchers, a highly developed research infrastructure, and optimum exploitation of research results. The strategy already covers two of the three areas: The European Charter for Researchers<sup>11</sup> lists general principles and requirements which ensure favourable conditions for the professional development of researchers throughout Europe. The ESFRI forum initiated in 2002 identifies new research infrastructures of European interest which will be needed in the next 10 to 20 years for preserving Europe's attractiveness as a place for research. The aim of the IP Charter now is to promote the exploitation of research results by encouraging a Europe-wide process of awareness-raising and stipulating common minimum standards for the management of intellectual property.

The Commission will play a crucial role in the drafting of an IP Charter. It can initiate the charter project and develop it further in close cooperation with the member states.

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<sup>11</sup> Commission Recommendation of 11 March 2005 on the European Charter for Researchers and on a Code of Conduct for the Recruitment of Researchers, OJ L 75/67 of 22.03.2005 (2005/251/EC).

### **III. Deficits in the management of intellectual property in Europe**

#### **1. Insufficient awareness and knowledge of the commercialization possibilities for inventions**

A frequent deficit in the management of intellectual property is the insufficient awareness and knowledge of the possibilities for protecting intellectual property<sup>12</sup>. An awareness of the commercialization possibilities for research results is the prerequisite for the protection of inventions. If research institutions do not, or not sufficiently, protect the results of their research, the findings can be exploited by third parties, which entails the risk of an uncontrolled know-how drain. In the case of exchange programmes for young researchers, the stakeholders are currently hardly aware of the problem of whether the research results obtained may be commercialized in the young researchers' home countries. In the USA, the Bayh-Dole Act established a regulatory framework for the management of intellectual property at universities as early as 1980. This promoted an awareness of the preferred option of commercialization of inventions by universities, the number of patents increased strongly and cooperation between industry and research institutions improved<sup>13</sup>.

An IP Charter will give political impetus to the broad discussion of the issue of intellectual property management in the European research sector. This will lead to an enhanced understanding of the strategic importance of intellectual property generated by European research institutions, and it will promote more extensive study of the IP rules of other countries and encourage the commercialization of research results by the persons duly authorized.

#### **2. Different approaches to the management of intellectual property in industry and research institutions**

Research cooperation and knowledge transfer between public research institutions and industry are among the weaknesses of the European research and innovation system<sup>14</sup>. One reason is that industry and research institutions take different approaches to the exploitation of results of research and development (R&D). Awareness of exploitation possibilities is stronger in industry. Therefore exploitation interests differ: Whereas research institutions tend to be mainly interested in the publication of the research results, industry is interested in preventing disclosure and in filing and exploiting protective rights.

An IP Charter would not only be able to initiate a process of awareness-raising with regard to the management of intellectual property. It can also promote cooperation partners' understanding of each other's position. Agreement on a best practice framework will bridge the cultural differences in the IP sector. An IP Charter can reveal potential areas of conflict as well as possible solutions. Common methods, values and goals should at the same time be identified to build mutual trust.

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<sup>12</sup> Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: More Research and Innovation – Investing in Growth and Employment: A Common Approach; 12.10.2005, COM (2005) 488 final.

<sup>13</sup> CRS Report for Congress – The Bayh-Dole Act: Selected Issues in Patent Policy and the Commercialization of Technology, Updated 8 September 2006, Order Code RL32076.

<sup>14</sup> See above COM (2005) 488 final.

### **3. Small private sector investments in research and development**

The member states of the EU are together investing about one third less in R&D than the USA<sup>15</sup>. About 80% of this difference is due to a lack of R&D investments by the private sector<sup>16</sup>. More favourable conditions and stronger incentives must be provided to encourage companies to spend more money on research projects and boost the investment volume.

The IP Charter is intended to lead to mutual understanding between the cooperation partners and thus to increase their willingness to become involved in cooperative activities. Increasing participation by financially strong industrial partners can reduce the funding deficits and solve the related problems. The IP Charter would provide incentives for company participation in cooperative research activities. If the partners base their cooperation on the regulatory framework of the IP Charter with regard to intellectual property rights in available and future research findings, they will save transaction and negotiation costs as well as the time that would be required to negotiate the points stipulated in the Charter.

### **4. Disadvantages for research and industry in international competition**

The potential of third-party funding is far from being exploited as universities and research institutions are not yet cooperating with private enterprise to a sufficient extent. A lack of funding is a disadvantage for research institutions, for example, in the competition for talented researchers, who must be offered attractive financial conditions. Without excellent researchers and modern research infrastructures, the institutions risk falling behind in terms of international research leadership in quickly changing fields and missing the chance of generating the critical mass as well as the excellence and flexibility needed for success in international research competition.

Industry too is at a disadvantage in international competition as it often does not use the existing potential of university research<sup>17</sup> and in this way does not indirectly support the further development of the academic research potential to a sufficient extent. Industry thus misses the chance of commercializing innovative inventions. As a result, European companies often cannot keep pace with international competitors and meet the standards of their product innovations. This is, among other things, revealed by the EU's production capacity, which is currently far lower than that of the USA or Japan in some research-intensive key branches<sup>18</sup>.

If cooperation is made easier, research institutions can tap funding sources more easily and will be better equipped to compete in the research sector. Furthermore, cooperation with industry will help improve the European innovation performance and strengthen Europe's competitiveness. At the same time, the negotiating position of European partners in international research cooperation will be strengthened by an IP Charter agreed by the EU member states.

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<sup>15</sup> Communication to the Spring European Council – Working together for growth and jobs. A new start for the Lisbon Strategy, 2.2.2005, COM (2005) 24 final.

<sup>16</sup> See above COM (2005) 24 final.

<sup>17</sup> Communication from the Commission to the Council and the European Parliament – Delivering on the modernization agenda for universities: Education, research and innovation; 10.06.2006, COM (2006) 208 final.

<sup>18</sup> See above COM (2005) 488 final.

## **IV. Focuses of the Charter**

Following the European Charter for Researchers<sup>19</sup> and giving special consideration to the working document of the Commission services concerning the Knowledge Transfer Communication<sup>20</sup>, the IP Charter should establish general principles and minimum requirements in an area which is of crucial importance for Europe's competitiveness, namely the management of intellectual property in research cooperation, and enable the translation of creative potential into marketable products and services. Optimum management of intellectual property rights in research results will improve international cooperation and prevent an uncontrolled know-how drain. An IP Charter would initiate a process encouraging the professionalized protection of intellectual property and it would promote Europe's creative potential by optimizing the input of intellectual property into the value added chain.

For that purpose, the IP Charter could among others include the following basic principles and guidelines, on which the cooperation partners could voluntarily base their research cooperation:

### **1. Basic principles**

- Careful and responsible management of research results and inventions
- Promotion of long-term and sustainable research cooperation
- Mutual respect, understanding and transparency in research cooperation
- Creation of organizational structures and mechanisms for professional IP management
- Further training for researchers to raise awareness of IP issues in research cooperation and to prevent an uncontrolled know-how drain
- Promotion of the commercialization and public exploitation of protected inventions to increase competitiveness and economic success
- Promotion of the exploitation of research results through start-ups and spin-offs.

### **2. Implementation of the basic principles**

#### **a. International research cooperation**

The management of intellectual property has to meet special requirements in the context of globalization and international research cooperation. The following seems to be important in this connection:

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<sup>19</sup> See above.

<sup>20</sup> See above COM (2007) 182 final.

- Consideration of the special legal, social, cultural and economic conditions in the countries where research results are generated or are to be exploited
- Support by specially trained experts for researchers in multinational contract and IPR negotiations.

**b. Code of conduct**

As a code of conduct, the IP Charter should stipulate minimum requirements for the management of intellectual property which could be a means of voluntary self-regulation and provide the basis for good, professional and efficient cooperation between the participants.

**aa. General recommendations**

Whatever the type of research cooperation, the participants should take the following aspects into account:

- The participants will conduct fair negotiations to agree on the scope and objectives of research cooperation while taking adequate account of the legitimate interests of all parties.
- The cooperation partners will as early as possible define the objectives and expectations of all participants in order to avoid any subsequent misunderstanding and disappointment.
- Each cooperation partner will precisely assign internal responsibilities, including powers of representation and the management of intellectual property, in order to avoid any internal misunderstanding. This assignment of responsibilities will be communicated to the external partners so that uncertainties can be avoided on the part of the cooperation partners.
- The sharing of responsibilities under the research project will be clearly established in writing in order to increase certainty and enable a coordinated approach.
- Persons who are responsible for IP management and knowledge transfer will be involved in the negotiations about research cooperation at an early stage in order to ensure that the intellectual property which is already available or may subsequently be generated is put to good use.
- Any other contractual and legal obligations which may interfere with the contract already concluded will be disclosed to the cooperation partners.
- Important individual points, for example regarding secrecy, publication or (joint) property rights, will be agreed in writing.

**bb. Special recommendations - collaborative research, contract research and research promotion with private sector funds**

These recommendations will deal with special aspects of the promotion of research cooperation (in addition to own research) which have an impact on the status of the owner and on exploitation rights in particular:

**Collaborative research**

- The party generating the research results will be the owner of such results or have the right to use them pursuant to the applicable law.
- All partners should benefit from favourable conditions for the transfer of rights of use and for mutual claims. The cooperation partners will, for example, agree on whether or not to file a patent for an invention.
- Public fund providers should remain neutral with regard to the exploitation of intellectual property but should at the same time ensure that equal consideration is given to the interests of all cooperation partners.

**Contract research**

- The partners will reach a written agreement about the status of the owner, about publication and about the rights of use of the research results.
- Provisions governing the use of the available know-how will be agreed in writing.
- Contractual arrangements will be made regarding the remuneration of researchers for their work and inventions.

**Research promotion with private sector funds**

- The ownership standards applied by public funding agencies will be observed.
- Consideration will be given to specific obligations regarding the protection and exploitation of intellectual property.
- Just like other research results, the results generated by publicly funded research can be the subject of licensing or transfer to private enterprises.
- Funding agencies will be informed about research results and intellectual property.

**V. Establishment of an IP advisory service**

In addition to the IP Charter, an advisory service should be established as a central service of the European Commission, for example at the Joint Research Centre, to provide advice on IP issues in international research cooperation. The task of the service should be to answer the questions of the cooperation partners regarding the national IP rules in EU member states and selected third countries and regarding relevant European and international provisions.