

IP management in SME actions

- 1. Introduction.....	1
- 2. The default regime applicable to SME actions.....	1
- 3. The transaction.....	1
- 4. Specific considerations for SME associations.....	3
- 5. Find out more.....	3

1. Introduction

The overall objective of the research for the benefit of Small and Medium-sized Enterprises (SMEs) under the Seventh Framework Programme (FP7) is to strengthen their innovation capacity. Projects funded under this scheme (hereinafter SME actions) have two basic types of participants: SME participants or SME associations that benefit from the action and RTD performers (these can be research organisations and industrial companies, including research-performing SMEs), which carry out research for the benefit of the SME participants or SME associations¹.

In order to ensure maximum benefit for the SMEs, the FP7 rules provide for a specific regime regarding both the funding scheme and the management of intellectual property (IP). Participants are required to implement their decisions on the management of the project's budget and IP in an agreement called "the transaction".

In the following paragraphs, we will broadly describe the regime applicable to SME actions and look into the different issues related to IP management and the transaction. The comments in sections 2 and 3 apply to both types of SME actions (i.e. research for SMEs and research for SME associations), while some specific aspects of actions for SME associations are included in section 4.

2. The default regime applicable to SME actions

In SME actions, a *customer-seller relationship* exists between the SME participants/SME associations and the RTD performers and consists of the outsourcing of research activities from the former to the latter. The SME participants/SME associations become owners of the research results generated by the RTD performers, who are remunerated for their work on the basis of their invoices by the former with the overall support of the Community financial contribution to the project.

However, the participants may decide that the RTD performers will own project results, in whole or in part, and reduce the remuneration they receive accordingly. Whichever agreement is decided upon, participants shall ensure that the SME participants/SME associations benefit from the results obtained since the overall objectives of these actions, mentioned above, shall always be taken into account.

Project proposals for SME actions shall clearly describe the intended terms for the transaction, thereby allowing the Commission to evaluate the participants' plans and examine whether they respond to the objectives of the programme "Research for the Benefit of SMEs".

3. The transaction

The transaction is annexed to the grant agreement (section 2 of the technical Annex I), and therefore the Commission shall approve it before signing the grant agreement with the participants. The Commission also approves any subsequent modification of the transaction, ensuring that each project pursues the expected beneficial results for the SME participants/SME associations. Consequently, the transaction shall be transparent and describe the complete agreement between RTD performers and SME participants/SME associations.

In SME actions the transaction is most important for the participants with regard to IP management. The consortium agreement may of course include IP-related provisions, but they shall always be conformant and based on what is stated in the transaction.

Broadly speaking, the transaction may establish three different situations:

IP management in SME actions

- *SME participants (in "Research for SMEs")/SME associations (in "Research for SME associations") retain the ownership of the results*

This option follows the default regime fully and is probably the easiest to implement. The SME participants/SME associations are owners of the results and use them for their benefit. In doing so, they might need access rights to the RTD performers' background, i.e. the project-related information RTD performers held before the beginning of the project and which still belongs to them. Sometimes, the results of an SME action can only be exploited in combination with the RTD performers' background and in these cases the SME participants/SME associations shall request licences to it. According to the FP7 rules, the RTD performers shall grant these licences royalty-free unless the participants agree on fair and reasonable conditions before the grant agreement is signed. This is another important issue to keep in mind during the negotiation of the transaction.

For their part, the RTD performers may also request licences to the project results in order to be able to use them, particularly, in further research. The economic terms for the granting of these licences shall be negotiated with the SME participants/SME associations and may include royalties, although it could also be considered to provide for royalty-free or preferential access. Additional arrangements are possible. For instance, the SME participants/SME associations may grant royalty-free access but request preferential access to subsequent research results obtained by the RTD performers, or a priority right to exploit them.

- *The RTD performers become owners of the results*

This is an exceptional option that departs completely from the default regime. Therefore, granting the ownership for all the results to the RTD performers must be adequately justified, taking into account the long-term interests of the SME participants/SME associations. Additionally, as already mentioned, the remuneration of the RTD performers shall be adjusted accordingly.

If a consortium chooses this option, it shall guarantee that the SME participants/SME associations enjoy all the access rights necessary to use and disseminate the results according to their needs. The RTD performers, owners of the results, must grant licences to the SME participants/SME associations so they can exploit the results.

The licences granted by the RTD performers to the SME participants/SME associations are not necessarily exclusive, but participants may opt for exclusive licences if this best serves the exploitation efforts of the SME participants/SME associations. Other alternatives include the granting of exclusive licences for a specific domain of activity while the RTD performers retain the right to exploit the results in other domains, or the granting of non-exclusive licences, with a preferential access for SME participants/SME associations.

Similarly, the licences granted by the RTD performers to the SME participants/SME associations are not necessarily royalty-free, although in many cases it will be reasonable to provide for royalty-free access. Once again, the issue of access to the background of RTD performers for the exploitation of the results shall be considered; if RTD performers provide access rights to their background on a royalty-free basis, it can be considered requesting royalties for the access rights to the results. In any case, if royalties apply, the participants shall make sure that the price of the licences is fair and reasonable for the SME participants/SME associations, always taking into account the specific objectives of these actions. Generally speaking, these licences shall not include any terms that restrict or hinder the effective utilisation of the results. Moreover, if at a later stage SME participants/SME associations need further access rights to the results in order to exploit them effectively, participants shall negotiate additional or more extended licences in good faith.

- *SME participants/SME associations and RTD performers share the ownership of the results*

The considerations here are similar to the previous points regarding any access rights granted between SME participants/SME associations and RTD performers. If the former own some results and the latter own others, royalty-free access rights seem, more than ever, the most reasonable option.

IP management in SME actions

If the participants own the results jointly (they have property shares on the same results), they will first have to decide on their respective shares of joint ownership (here, again, the percentage of shares assigned to the RTD performers will affect the level of their remuneration). Additionally, they will have to agree on a number of other issues related to the protection of the common results, their use and dissemination.

If the RTD performers retain the right to grant licences to the common foreground to third parties, it might be useful to provide, among other things, that the SME participants/SME associations always be informed in advance to ensure that the exploitation efforts carried out by the RTD performers do not threaten SME participants/SME associations' interests.

To sum up, the main issues to be addressed in the transaction are:

- ownership of the results;
- access to the results by SME participants/SME associations and RTD performers;
- access to the RTD performers' background for SME participants/SME associations;
- and the remuneration to be paid to the RTD performers.

4. Specific considerations for SME associations

Research projects that benefit SME associations generally aim to come up with solutions to problems that are common to a large number of SMEs. Therefore, the dissemination and use of the results to the profit of the members of the SME associations are crucial. The final beneficiaries, the SMEs that are members of the association, shall be able to swiftly and effectively use the results.

Taking into account the above, in cases where participants decide that the ownership of the results will belong to the RTD performers, the SME associations need to ensure some additional rights in order to be able to provide their members with the necessary access.

First of all, whenever possible, the SME associations shall obtain a licence in order to directly use the results and disseminate them to their members. If exploitation efforts are to be carried out by the members of the SME association, the RTD performers shall grant access rights to the results to the SME associations including the right to sublicense them to their members, if necessary. The right to sublicense in these cases is expressly recognised by the FP7 rules (departing from the general regime) but it is advisable to reiterate it in the license agreement, where its content shall be defined (which members may be granted sublicences, for what purposes, etc.). The RTD performers and SME associations shall always ensure that the access provided to the members of the SME association is largely sufficient and negotiate additional access rights, if and whenever necessary.

5. Find out more

DG Research, SME Techweb:

Information on SME actions ([individual](#) and [associations](#))

IPR-Helpdesk:

[SME Gateway](#)

[How IP rules work in FP7](#)

[IP-related issues for SMEs in FP7 projects](#)

[Joint Ownership in FP7](#)

-
1. Other entities may take part in these actions. These other participants are typically large enterprises and user associations in Research for SMEs, and SMEs in Research for SME associations. Please note that the role of such participants in the project should not be dominant but incidental.

www.ipr-helpdesk.org
ipr-helpdesk@ua.es

The [IPR-Helpdesk](#) project is coordinated by the University of Alicante, which is supported by the Intellectual Property Law Institute of Jagiellonian University in Cracow and European Research and Project Office GmbH in Saarbrücken.

Project Management Office
IPR-Helpdesk
Edificio Germán Bernácer
Universidad de Alicante
P.O. Box 99
03080 Alicante
España

e-mail: ipr-helpdesk@ua.es
Tel.: +34 965 90 97 18
Fax: +34 965 90 97 15

Representative Office
IPR-Helpdesk
98, Rue du Trône
B-1050 Brussels

e-mail: ipr-helpdesk@ua.es
Tel.: +32 (0) 2 213 41 63
Fax: +32 (0) 2 213 41 69