

# The right tools?

**Mark Bailey, Speechly Bircham, asks whether the newly launched Lambert Toolkit will bring greater clarity for university/ industry collaborations**

Every year, around 10,000 research contracts are signed with UK universities<sup>1</sup>. In 2002/ 2003 alone UK companies spent £260 million on research with UK universities.

Effective collaboration needs well structured research agreements, which clearly define the ownership and use of resulting IP. In 2003, the Lambert Review<sup>2</sup> identified lengthy negotiations over the ownership and exploitation of IP as a barrier to effective collaboration. The Review recommended the development of a set of voluntary model research contracts to resolve this; the so-called *Lambert Toolkit* is now available at [www.innovation.govt.uk/lambertagreements](http://www.innovation.govt.uk/lambertagreements).

## Lambert Toolkit

The five model agreements define IP ownership and exploitation rights, according to the parties' contributions to the project. There is a useful 'decision tree' to choose the appropriate agreement.

The model agreements provide:

**Lambert 1:** University owns resulting IP, and grants a non-exclusive licence for sponsor's group to use results in a specified field and/ or territory.

**Lambert 2:** University owns the resulting IP and licences sponsor's group to use results in a specified field and/ or territory, but sponsor has the right to acquire an exclusive licence in relation to certain results.

**Lambert 3:** University owns the resulting IP and licences the sponsor's group to use results in a specified field and/ or territory, and the sponsor has a right to take an assignment of the IP in certain results.

**Lambert 4:** Sponsor owns the resulting IP, but rights are reserved to allow the university to use the results for academic purposes (including publication), but without jeopardising sponsor's ability to obtain patent protection.

**Lambert 5:** Sponsor owns the resulting IP and the university has no right to publish the results.

The emphasis in the agreements is on the freedom of the collaborators to use the IP generated, rather than on IP ownership as an end in itself; the university is generally

not restricted from licensing related, grant-funded IP that makes incidental use of work funded by the sponsor, and the sponsor can use the research IP in combination with its more substantial background.

The Toolkit is commended as a "good start" for negotiations. However, this may be missing the real point of the Toolkit. Many research contracts are of relatively low value, and may not justify extensive negotiations. Of the 4,000 research contracts signed in 2001/ 2002 by small- and medium-sized companies, the average contract value was just £8,500. The average value for larger companies was £32,800<sup>3</sup>. The Toolkit will be most effective if used without substantial negotiation, at least for lower value projects, or to encourage businesses or industry sectors which have not traditionally commissioned collaborative research to do so.

## Strengths

The agreements are clear and concise. They should permit focussed discussions on IP ownership and rights to exploit.

From the university's perspective, the agreements enable the sponsor to use the research IP for commercial purposes, and the university retains the right to use the know-how for academic purposes, without an expensive obligation to maintain patents.

At the very least, sponsors and universities will have to consider the balance between ownership of IP and reward suggested by the Toolkit in their negotiations. Perhaps provocatively, where industry claims it needs an exclusive licence or absolute ownership of the IP generated in research, the Toolkit provides that the university is entitled to additional remuneration.

## Weaknesses

The Toolkit will never prevent all disagreements. The agreements do not

adequately cover joint IP, or define the terms of any exclusive licences for results. Often, these are areas of great dispute, although jointly-owned IP is usually best avoided.

Ownership of the IP arising will remain a primary issue, particularly in due diligence on sponsors, for example on a proposed IPO or exit. Investors are concerned to avoid risks of IP leakage, royalty stacking and the retention by the university of rights to exploit research IP, which can make commercial production of products uneconomic or affect the value of the sponsor's background IP. All of these issues must be addressed adequately by the sponsor and its advisers during contract negotiations.

The agreements are not perfect – no set of agreements ever will be<sup>4</sup> – and they will not be a substitute for careful consideration of the respective positions of research collaborators. They do, however, represent a positive step forward.

The Lambert Toolkit will take some years to be adopted fully, but provided industry and the investor community accepts the overall aims of the Toolkit, it will prove a useful aid to research. Indeed, there is no reason why the Toolkit should not achieve general recognition, as the Link multi-party agreement has done. ☺

## Notes

- 1 DTI innovation report, *Competing in the global economy in the innovation challenge*, December 2003.
- 2 The Lambert Review was an independent report commissioned by the Treasury, DES and DTI. It examined ways to improve links between universities and business.
- 3 DTI innovation report.
- 4 For a good summary of the Toolkit, see the report by Dr Jeff Skinner of UCL, a member of the committee developing the agreements, *Opening the lid on the Lambert Toolkit* – available from the author.

## About the author

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