Annex A

Guidelines on IP Arrangements

1. Introduction

1.1 Intellectual property (IP) includes patent, design, trademark, copyright, trade secret, etc. LSCM, through carrying out different types of research projects, is expected to generate some form of new IP. In generating such IP, different parties (industry partners, research/technology partners) involved in the research projects may make contribution, e.g. in the form of cash and/or in-kind sponsorship, background IP or other form, during the research process and they may expect to have a claim on the IP rights generated from the project. While each case will have to be considered on its own merits, it is also important that LSCM adopt a broadly consistent approach in dealing with IP issues, including the IP rights[1] and management responsibilities[2]. This set of guidelines aims to set out such a broadly consistent approach for LSCM to adopt. The guidelines will be regularly reviewed and updated as appropriate.

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1 IP rights include the right to use, right to share benefits, and right to hold title of the IP.

2 IP management responsibility includes disclosure of inventions, record keeping, maintenance and enforcement of IP.

2. Guiding Principles

2.1 Guidelines for IP Arrangements are based on the following guiding principles:-

(a) the IP arrangements should be made to facilitate, but not prohibit, effective transfer of technologies developed by LSCM;

(b) to encourage participation by the industry and other research/technology partners in R&D projects, the IP arrangements should be made to allow participants to enjoy IP rights, and the form of the arrangements should be commensurate with the level of contribution;

(c) the IP arrangements should facilitate an efficient and effective management of IP; and

(d) the IP arrangements should contribute to building up the R&D Centre's core competence and sustainable operations.

3. General Guidelines for IP Arrangements for Platform Research Projects

3.1 *Nature of "platform research projects"*

3.1.1 "Platform research projects" refer to those that are **primarily aimed to benefit the industry or a certain sector of industry** in a general manner.

3.1.2 There should be at least two industry partners that should make contribution to the projects. As a general rule, the aggregate industry contributions should constitute at least 10% of the total project costs, which can be in cash and/or in-kind (subject to the conditions set out in paragraphs 3.1.3 and 3.1.4 of Annex A below), and such contributions should be made available within the first six to nine months after the project has started. In this connection, the total project costs should be the sum of all approved expenditures (including expenditure items to be covered by in-kind contributions, if any) and the approved institution administrative overheads[3].

3.1.3 In-kind contributions in the form of equipment and consumables would be accepted and counted as industry contributions provided that:

(a) the in-kind contribution is **essential** to and **specific** for the project and should be contribution by the industry. Donation by the Centre itself will **not** be counted as industry contribution;

(b) the value of the in-kind contribution should be presented in both income and expenditure sides of the project budget;

(c) whenever any in-kind contribution is received, it should be reported in the progress/final reports of the projects; and

(d) **documentary proof** to substantiate the value of contribution should be provided. Where documentary proof is not available, reasons should be given and the basis for making the estimation should be clearly specified in the project proposal.

3.1.4 Manpower contribution will be welcome but will **not** be counted as industry contribution as such in the project account.

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[3] Local universities, the Hong Kong Institute of Vocational Education (VCE) and the R&D Centres (except the ICT R&D Centre) are allowed to charge administrative overheads for undertaking ITF projects. The administrative overheads to be charged should be capped at 15% of the total project costs (net of administrative overheads).

3.2 *Title of IP generated and sharing of benefits*

3.2.1 As the primary objective of platform research projects is to benefit the industry as a whole, the title of the IP derived from such projects <u>(foreground IP)</u> should vest in LSCM concerned in general.

3.2.2 In the case where the project applicant is from a local university, the title of the IP can vest in applicant's university if such an arrangement can facilitate the promotion of technology transfer to the industry. Under special circumstances where public interests are involved or where the public mission of the ITF needs to be fulfilled, the university may be required to grant unconditionally and irrevocably to the Government a non-exclusive perpetual royalty-free worldwide and sub-licensable license to exploit, deal with or otherwise dispose of the rights.

3.2.3 LSCM shall retain the right to commercialise the results of R&D works regardless of who owns the IPs.

<u>Sharing of benefits by industry partners</u>

3.2.4 To encourage more contributions for the industries, the applicant organization may nevertheless negotiate with interested companies, in particular the sponsors, regarding the sharing of intellectual property, licensing arrangement etc. The sponsors can have priority use of the project results. The specific IP benefit sharing arrangements for each project should be clearly set out in the project proposal.

<u>Sharing of benefits by local universities</u>

3.2.5 For project that is carried out by a local university, the university shall own the title of the IP (foreground IP) derived from the project. In this case, both LSCM and the university have rights to commercialise the foreground IP. Hence, towards the end of the project, the project team requires to work with LSCM to jointly determine the following and seek approval from the Finance and Administration Committee.

(a) Licensable deliverables or IPs generated from the project
(b) License fee, terms, documentation for the licensable deliverables or IPs

3.2.6 If the foreground IP is successfully commercialized by the university, the university shall share 30% of the license fee to LSCM. Similarly, if the foreground IP is successfully commercialized by LSCM, LSCM shall share 30% of the license fee to the university.

<u>Sharing of benefits by research partners and non-local universities</u>

3.2.7 In case a research partner (whether local or non-local) or a non-local university participates in a platform project and puts in any background IP and other resources (including the remuneration of the principal investigator (PI) and all other in-kind contribution, if any) into the project as input at the project proposal stage without separately charging these items in the project account, and if the project is subsequently successfully commercialised by LSCM/local university, LSCM/local university could negotiate with the research partner/non-local university and the industry partner for the specific IP and benefit sharing arrangements on a case-by-case basis before the project begins, having regard to the guiding principles set out in paragraph 2.1 of Annex A above. The benefit sharing arrangement to be agreed should be commensurate with the level of the respective contributions towards the project, and be endorsed by LSCM.

3.3 Exclusive licence and Buy-out arrangements

3.3.1 Given the nature of "platform research projects", exclusive licence and buy-out arrangements for the foreground IP are not allowed unless otherwise approved by CIT.

4. Contract Research Projects

4.1 ***Nature of "contract research project"***

4.1.1 "Contract research project" refer to projects in which a **company pays** LSCM the **full costs for the R&D work done.**

4.2 ***Title of IP generated and benefits generated***

4.2.1 As all the costs of a contract research project are borne by the sponsoring company, the IP generated from such a project and benefits generated from such IP will rest with the company concerned. LSCM will not claim any IP rights generated from the R&D project.

5. Collaborative Research Projects with Industry

5.1 ***Nature of "collaborative research projects with industry"***

5.1.1 "Collaborative projects with industry" refer to those projects in which an **industry partner makes a contribution**, which can be in cash and/or in-kind (subject to the conditions set out in paragraphs 3.1.3 and 3.1.4 of Annex A above), that **constitutes no less than <u>30</u>% of the <u>total</u> project costs at the start of the project.** In this connection, the total project costs should be the sum of all approved expenditures (including expenditure items to be covered by in-kind contributions, if any) and the approved institution administrative overheads[4].

5.2 ***Title of IP generated, right to use and sharing of benefits***

5.2.1 The title of the IP generated will normally rest with LSCM.

5.2.2 The industry partner will automatically be granted an exclusive license to use the project IP free of charge for a defined period which is to be determined by a Panel[5], having regard to the nature of the technology/technologies involved, and the actual level of contribution by the industry partner to the total project costs.

5.2.3 Industry partner is encouraged to gradually increase its contribution to more than 50%, with timeframe as appropriate, during the project period. In case the industry partner's contribution accumulates to **more than 50%** of the total project costs before the completion of the project, it will have an option to own all IPs generated from the R&D project, subject to the following conditions:

[4] Please see note 3 on page 9

[5] The Panel constitutes of CIT or the CIT's delegate, TC Chairman and Centre CEO, where the TC Chairman will serve as the Chairman of the Panel

(a) LSCM will still enjoy the beneficiary rights of the IPs generated (as per paragraph 5.2.4 of Annex A below). LSCM will have the right to take appropriate actions against the industry partner if the latter does anything which jeopardizes LSCM's beneficiary rights of the IPs concerned;

(b) The industry partner will have to return the title of the project IPs to LSCM if the industry partner fails to commercialise the IPs within a certain period of time to be agreed by both parties;

(c) LSCM will have the first right of refusal in case the industry partner wants to dispose of or sell to others the project IPs;

(d) LSCM will have the right to collect from the industry partner a certain amount of guaranteed income for the commercialization of the project IPs;

(e) LSCM will retain a perpetual royalty-free right to use any IPs generated from the project for further research purposes; and

(f) detailed terms and conditions should be established at the outset of the project and be properly spelt out in the agreement signed between LSCM and the industry partner.

In case the industry partner chooses not to own any of the IPs generated from the project, ownership of all such IPs will be taken up by LSCM.

<u>Sharing of benefits by industry partners</u>

5.2.4 The industry partner has the right to share the benefits generated from commercialisation of IPs generated from the project (including royalty fees), with the sharing ratio subject to negotiation between LSCM, other participating R&D partner(s) and the industry partner having regard to the respective proportion of their contributions to the total project costs. In this context, the benefits refer to the sales revenue generated from commercialisation of project IPs. The benefit sharing arrangements should be endorsed by the Panel.

<u>Sharing of benefits by both local and non-local universities and research partners</u>

5.2.5 If a university or a research partner, whether local or non-local, participates in a collaborative project and puts in any background IP and other resources into the project as input **without** separately charging these items in the project account, LSCM could negotiate with the university/research partner and the industry partner for the specific IP and benefit sharing arrangements on a case-by-base basis before the project begins, having regard to the guiding principles set out in paragraph 2.1 of Annex A above. The benefit sharing arrangements to be agreed should be commensurate with the level of the respective contributions towards the project, and be endorsed by the Panel.

5.2.6 In relation to paragraphs 5.2.4 and 5.2.5 of Annex A above, the specific IP benefit sharing arrangements for each project should be clearly set out in the project proposal.

5.3 *Buy-out option*

5.3.1 In case the project IP is not owned by the industry partner under the conditions of paragraph 5.2.3 of Annex A above, the industry partner still has the right to buy out the IP generated by the project, including all the equipment, within the period of exclusive licence granted as per paragraph 5.2.2 of Annex A above. The consideration for buying-out should be at a premium over the total project costs. The level of premium should be determined by negotiation between LSCM and the industry partner on a case-by-case basis before the project starts and should be endorsed by the Panel.

5.3.2 The buy-out arrangement should include retention of a royalty-free right for LSCM to use, for future R&D purposes only, the IP generated from the project.

5.4 Licensing of other parties

5.4.1 In case the project IP is not owned by the industry partner under the condition of paragraph 5.2.3 of Annex A above and the industry partner chooses not to exercise the buy-out option after the period of exclusive license it has enjoyed in accordance with paragraph 5.3.1 of Annex A above, LSCM will continue to hold the title of the project IP, and may grant licence to other parties to use such IP after the exclusive licence expires. In that case, the industry partner has the right to share benefits from the commercialisation of licensing to other parties in accordance with paragraph 5.2.4 of Annex A above.

6. LSCM to decide case by case

6.1 The preceding paragraphs are intended to serve as general guidelines. Details of the IP arrangement will be decided by LSCM on a case by case basis, LSCM welcomes the discussion with the universities, industry support organizations, trade and industry associations, professional bodies, and research institutes.

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