

SUPPORTING INSERT

Instructions, context and explanatory notes towards the role and use of Article 8 and 10 of the Consortium Agreement (*'Foreground'* and *'Access Rights'*) - English

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BACKGROUND

On behalf of the Dutch Ministry of Economic Affairs, Health Holland (Stichting LSH-TKI) awards subsidy grants in research collaborations between private companies and research organisations. These collaborations generate intellectual property rights and know-how (the *'Foreground'*).

Because public funds are involved, the use of Foreground by private companies may constitute indirect State aid if:

- a) the Foreground is not generated by those private companies
- b) the private companies obtain access to or use the Foreground against compensation paid to the research organization(s) that is below the fair market value of the Foreground.

Article 8 (*'Ownership of Foreground'*) of the consortium agreement serves to ensure that the allocation and use of any Foreground comply with State aid laws and regulations. Article 10 ensures Access Rights to the necessary Background and generated Foreground.

MAIN DOCUMENT

The main guiding document is the **'Framework for State aid for research and development and innovation'**, as published on behalf of the European Commission on 28 October 2022 (reference number 2022/C 414/01) Clauses 28, 29 and 30 of the Framework are particularly relevant.

WHAT IS THIS INSERT

This document is intended to support the implementation of Articles 8 and 10 of the consortium agreement and to provide guidance on the allocation of Foreground in compliance with State aid rules. It also explains the Access Rights granted within a public-private collaborative project.

ROLE OF HEALTH HOLLAND

The role of Health Holland is limited to assessing whether the amended provisions of the Consortium Agreement, as submitted by the consortium partners, comply with state aid rules. Health Holland is not involved in proposing text or making amendments of the consortium agreement.

QUESTIONS?

Please consult with tki@health-holland.com.

CONSORTIUM AGREEMENT – ARTICLE 8 FOREGROUND

The basic principle of the consortium agreement is that the party that develops a result (Foreground) is also the owner of that result (ownership follows inventorship). After the project has ended, this partner may use the generated Foreground at its own discretion. There are three exceptions where intellectual property generated by the research organization may become the property of the industrial partner. These exceptions are described in Article 8.2 and can be applied individually or in combination.

A. Full funding (8.2.1)

If a research organization develops Foreground, but the industrial partner fully covers the associated costs (100%), the industrial partner may directly and legitimately become the owner of that result. In practice, this situation is unlikely to occur, as PPP projects always involve genuine collaboration with shared contributions and co-funding. This provision is included in the agreement for completeness.

B. Adequate reflection (8.2.2 & 8.10)

All consortium partners may contribute to the project by providing knowledge, technology, or materials (referred to as “Background”). An important reason for companies to participate in a consortium is to obtain results that complement or improve their Background. According to the state aid rules, there is no indirect state aid if the allocation of Foreground is carried out fairly and reflects the contributions of each participant. This is also referred to as an adequate reflection. Articles 8.2.2 and 8.10 of the consortium agreement describe this principle.

If the consortium wishes to make use of this option, they may explicitly agree in advance that certain Foreground developed (in part) by a research organization will nevertheless be owned by the industrial partner on the basis of adequate reflection. This adequate reflection must represent an appropriate reflection of the significant contribution of the industrial partner to the creation of the results.

The use of “adequate reflection” is optional and requires a clear description and justification in Article 8.10 of both the intended Foreground and the contributions of the relevant (industrial) partner(s) that justify the deviating allocation of ownership. This description should include a coherent set of substantial contributions related to the development of the Foreground, such as:

- (1) Demonstrable involvement in the execution of the project and/or relevant work packages
- (2) Providing (unique) resources
- (3) The contribution of Background on which the Foreground will build
- (4) A substantial contribution to the project budget (either in-cash and/or in-kind)

It is recommended to apply the option of adequate reflection in a balanced manner and to include the involved research organization as well. This helps to clarify how the contribution of each partner is reflected in an appropriate allocation and distribution of the Foreground to be developed. In this way, it becomes clear how the different contributions of the consortium partners are proportionally reflected in the allocation of the Foreground.

If the consortium does not wish to make use of the option of “adequate reflection”, Articles 8.2.2 and 8.10 may be removed from the consortium agreement.

C. Option Right (8.2.3 & 8.5-8.8)

Industrial partners that make a substantial contribution to the project budget (at least 10% in cash and/or in-kind) may obtain an option right to Foreground developed by the research organization for:

- Obtaining an (exclusive) license to Foreground owned by the research organization;
- Obtaining ownership of Foreground owned by the research organization.

This is described in Articles 8.2.3 and 8.5–8.8. When the option right is exercised, the parties will agree in good consultation on the terms of the license or transfer. These arrangements must comply with the “**Essential Terms**” set out in Article 8.7, which ensure that the research organization and the other consortium partners remain protected and that the agreements comply with state aid rules.

- (1) Fair and reasonable market price
- (2) Anti-Shelving clause
- (3) Grant-back license
- (4) Indemnification
- (5) Access rights

Fair and reasonable market price

Private companies must pay a fair and reasonable market price for the Foreground. According to the state aid rules, a price is considered market-based if it is established through fair (‘on arm’s length terms’) negotiations. This means that the parties follow a transparent and competitive sales procedure, engage an independent expert to assess the value of the Foreground, or include a ‘right of first refusal’. The latter allows research organizations to obtain better economic offers from third parties.

Anti-shelving clause

When an industrial partner obtains an (exclusive) license to Foreground, it must make reasonable efforts to further develop or commercialize the results. This requirement prevents the results from remaining unused.

Grant-back license

The research organization must at all times retain the right to continue using the Foreground free of charge for academic research and education.

Indemnification

The industrial partner must indemnify the research organization against any third-party claims arising from the industrial partner’s use of the Foreground for its own purposes.

Access rights

The industrial partner must respect that other consortium participants have certain Access Rights to the Foreground under the agreement. These rights remain in place even if the option right is exercised.

Joint Ownership (8.3)

In some cases, Foreground is developed jointly by multiple participants, making it difficult to clearly determine which part was developed by which party. In such cases, the Foreground becomes jointly owned by the participants involved (Joint Ownership). In principle, the co-owners hold equal shares in this Foreground. Only where it is clear that the contributions of the participants differ significantly may the ownership shares be determined based on the actual contribution. The option right also applies to Foreground that is jointly owned.

Exploitation of Foreground (8.4)

Each participant may use and exploit the Foreground of which it is the owner. As long as another participant holds an option right to this Foreground, it may only be used for non-commercial purposes. Where Foreground is jointly owned by multiple participants (Joint Ownership), the co-owners may use it freely for non-commercial purposes. Non-commercial purposes are defined in the agreement as academic research, research by third parties, training and educational activities. The use of jointly owned Foreground for commercial purposes is not permitted.

In addition, a co-owner may grant non-exclusive commercial licenses to third parties, provided that the co-owners are informed in advance. In such cases, they are entitled to fair compensation in proportion to their share in the jointly owned Foreground. Arrangements regarding jointly owned Foreground may also be set out in a Joint Ownership Agreement.

Patent Applications (8.9)

The owner of the Foreground is responsible for filling a patent application and bears the associated costs. In the case of joint ownership, the co-owners will agree on which party will be responsible for filing and maintaining the patent. The costs will be borne by the co-owners and, in absence of other agreement, will be shared equally.

Parallel agreement (8.11)

An alternative option is to conclude a separate, parallel agreement. In this agreement, the consortium partners may define their specific contributions and the allocation of Foreground. This agreement must be submitted to Health Holland and must comply with the state aid rules. This option mainly applies where the consortium already uses a separate agreement, such as a license agreement or an ownership agreement. If no parallel agreement is used, or if it has not been shared with Health Holland at least 30 days before the consortium agreement enters into force, this article must be removed from the consortium agreement. The article constitutes an option, not an obligation.

The consortium agreement must refer to and acknowledge the existence of the parallel agreement and explicitly state that the arrangements set out therein comply with the state aid rules. In the event of a conflict between provisions of the parallel agreement and the consortium agreement, the consortium agreement shall prevail.

CONSORTIUM AGREEMENT – ARTICLE 10 ACCESS RIGHTS

In addition to Foreground, consortium partners often make use of existing knowledge, technology, data, or materials that they already possess before the start of the project. In the agreement, this is referred to as 'Background'. Article 10 sets out the conditions under which other consortium partners may obtain access to this Background (Access Rights) when necessary for the implementation of the project or for the use of the project results. It also defines the Access Rights to Foreground.

Identification of Background (10.1)

Each participant shall indicate in Annex 1 which Background is made available to the consortium. Only the Background listed in this Annex is subject to the provisions on Access Rights. The owner always retains ownership of its Background. Participants may include limitations or conditions for the use of their Background (for example due to existing licenses). However, these limitations must be consistent with the provisions of the consortium agreement (see 1.3). Annex 1 may be supplemented or amended during the project.

Standard Access Rights (10.2)

Consortium participants are granted non-exclusive access to each other's Background to the extent necessary for the implementation of the project. This access is granted free of charge, is limited to the duration of the consortium agreement, and does not include the right to grant sublicenses.

Additional Access Rights (10.3)

A participant may request additional access to the Background or Foreground of another partner for the following purposes:

- (1) For the implementation of the project
- (2) For non-commercial purposes
- (3) For commercial exploitation

Depending on the purpose, such access may be granted free of charge or under fair and market-based conditions. The owner of the relevant Background or Foreground decides whether such additional access will be granted and may attach conditions to it.

For the implementation of the project, Access Rights are granted free of charge. This is intended to ensure that partners do not hinder each other in carrying out the research during the project.

For non-commercial purposes, access to Foreground is granted free of charge. Access to Background for non-commercial purposes may be granted under fair and market-based conditions, as Background often concerns pre-existing knowledge or technology that may already have commercial value.

For commercial exploitation, access to both Foreground and Background is granted under fair and market-based conditions. This reflects the principle that existing knowledge and project results should not be commercially exploited without appropriate compensation.