



Intellectual  
Property  
Office

## Guidance notes supplement: research collaboration agreements with China entities





# Contents

1. Charitable purposes and tax .....	3
2. Parties .....	4
3. Definitions.....	5
4. The project .....	13
5. Financial contribution, external funding.....	15
6. Use and exploitation of IP .....	17
7. Academic publication.....	26
8. Confidentiality .....	28
9. Limitation of liability.....	30
10. Force majeure.....	32
11. Termination .....	33
12. General .....	34
13. Schedules.....	36



# 1. Charitable purposes and tax

Where any party is a charity it should ensure that its research activities come within its primary charitable purposes and where any party enjoys any [exemption from corporation tax](#), it should check with HM Revenue and Customs that its research activities will not result in the loss of that exemption.

The [Charities Commission website](#) provides further information on this issue and in particular in [Trustees, trading and tax](#) and charitable status and public benefit.

## *China supplement*

China Universities and research institutes are primarily public institutions. They are nonetheless subject to PRC enterprise income tax, but may qualify for various kinds of tax exemptions, deductions or incentives in accordance with prevailing rules and policies prescribed by China tax authorities.

There may be occasions where a China University or research institute will undertake the research collaboration activities via a profit-making entity under their arms. Such profit-making entity will be subject to enterprise income tax, but they may nonetheless qualify for various kinds of tax exemptions, deductions or incentives in accordance with prevailing rules and policies prescribed by China tax authorities.

There may be occasions where a China charitable organisation is the sponsor of the project. China charitable organisations are permitted to accept tax-deductible donations from the public. In these cases, the parties should consider the tax issues (as to the China charitable organisation) that may arise.

The UK-China Double Taxation Agreement which entered into force in December 2013 may provide UK and China entities in research collaboration (and also other forms business investment arrangements) certain tax benefits. These may come in the form of reduced withholding tax rates for certain royalty payments or interest payments. The parties may want to discuss and engage tax professionals to consider the possibilities.

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## 2. Parties

The full corporate names of the parties should appear at the beginning of the agreement.

Although a company may change its name and the address of its registered office, a company formed in England, Wales or Scotland never changes its registered number. Therefore, it's advisable to identify the company by its registration number. (Universities do not have registration numbers.)

### *China supplement*

#### **Capacity to enter into agreement**

(clause 2.7 of Research Collaboration Agreement 1-5)

It will almost be the case that a China University department or research laboratory, not being a legal entity itself, does not have the requisite capacity to enter into agreements. At the practical level, the department or laboratory may not need to be the signing party. The China University will find the appropriate administrative unit that has capacity to enter into agreements. The agreement should stipulate that the relevant department or research lab shall have been given all necessary approvals to undertake the research and/or to engage in the activities contemplated by the agreement.

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## 3. Definitions

### 3.1 Academic publication

As a charity, the university's objectives will include the dissemination of learning or knowledge for public benefit. In addition, it's important to the career prospects of many academic researchers that they publish articles and participate at conferences. Therefore, the university and its academics will nearly always wish to publish information about the project. All of the 5 research collaboration agreements apart from agreement 5 (contract research) allow for this.

#### *China supplement*

##### **Early publication and the risk of losing patentability**

Though a China University or research institute may not be a "charity" as such term is understood in the UK tax context, academic researchers in China Universities and research institutes will want to publish information about the project. In China, like in the UK, early publication can affect a potential patent. Once published or disclosed in some form, the novelty of the invention or research outcome could, except in some very narrow circumstances, be lost. It would be for the parties to establish a protocol to guard against unwarranted early publication.

##### **Can a right to publish be limited (or delayed) by contract?**

All of the research collaboration agreements apart from agreement 5 provide for a mechanism to govern academic publication of research results. China law will permit contract provisions to restrict or delay academic publication, and it appears that there have been no publicly reported cases of disputes in this regard. Agreement 5 (for contract research arrangements) does not have an express provision to restrict academic publication, the reason being, the university is commissioned to undertake research on a purely commercial basis. Nonetheless, it may be desirable for an agreement contemplating contract research with a China entity to have an express provision in this regard, rather than relying on the confidentiality provisions alone.

### 3.2 This agreement

It is important that changes to the agreement are properly recorded in writing and signed on behalf of each party in order to avoid any misunderstandings about each party's commitments. A copy of the document recording the change should be kept with the original signed copy of the Agreement.

#### *China supplement*

For a China party to enter into an agreement, some contract signing formalities will have to be followed. Typically, the Legal Representative of the China entity entering into agreement will put signature and the entity's official chop will have to be applied. In addition, it will be necessary to have the China entity show proof of proper authorisation to enter into the agreement and/or to engage in the activities contemplated by the agreement. A proper authorisation will typically involve an internal approval and authorisation but may also require an external/governmental approval or consent.

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### 3.3 Background

It is likely that each party will make available for use in the project, information, software or materials that already exist or that are developed independently of the project. Each of the parties allows its Background to be used for the purposes of the project but not for any other purpose (clause 4.2 in the research collaboration agreements), although negotiations may result in background being used, where necessary, to exploit the results.

#### *China supplement*

Please refer to the notes supplement on “China law and regulations on technology import and export” and “UK export control when exporting to China”, each under the Use and exploitation of IP – 6.3 Background heading.

### 3.4 Specified and specific background

Although it may not be necessary or possible to identify all of the background at the start of the project, if the success of the project depends on one or more of the parties making certain background available, this needs to be identified and described in schedule 2.

Note that unless identified background is included in schedule 2, as one of the items that a party is obliged to provide under clause 2.2 that party is not obliged to provide any background. That will not prevent it providing background if it wishes to do so.

#### *China supplement*

Please refer to the notes supplement on “China law and regulations on technology import and export” and “UK export control when exporting to China”, each under the Use and exploitation of IP – 6.3 Background heading.

### 3.5 Sensitive background

If any of the background is sensitive or for some other reason should not be disclosed beyond the researchers working on the project, this should be identified either before, or at the time, the background is made available. While academic researchers may want to publish background as part of their academic publication of the results, it may be important that the background of another party remains confidential. It is important that this issue is resolved at the outset. Please refer to the notes on confidential information and academic publication.

#### *China supplement*

Please refer to the notes supplement on “China law and regulations on technology import and export” and “UK export control when exporting to China”, each under the Use and exploitation of IP – 6.3 Background heading.

In addition, any information that is considered state secret under China law and regulations will be strictly guarded and is not to be disclosed to any unauthorised persons. The China party to an agreement shall be obliged to conduct preview to screen any such information.

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More generally, to minimise the chance of information that may fall into the category of state secret (of either country) being disclosed, even if just being so inadvertently, the parties should discuss the appropriate measures for screening information and to document such mechanism, whether in the research collaboration agreement or in a separate document in writing signed by both parties.

### 3.6 Business day

If either party is not in England, consider whether to change England in this definition. For instance, public holidays in Scotland are different.

#### *China supplement*

China in particular will from time to time have Saturdays and Sundays officially designated as work days. Consider defining “Business day” as a day that is not a designated public holiday in either the U.K. or China (or any other jurisdiction that the parties can agree to include due to the particular circumstances of the project; for instance a member of a Group Company or a research lab actually doing the R&D may be incorporated and/or having its principal operations in yet a third jurisdiction.)

### 3.7 Confidential information

Some parties may take the view that all of their background is commercially sensitive and must be kept confidential. If that is the case, the words in square brackets should be deleted. Alternatively, if the intention is that only background that is identified as being confidential is to be treated as such, the words in square brackets should be included. Whether or not those words are included, any information or material that is to be kept confidential should be marked ‘Confidential’. An example of a confidentiality notice may be found in the [useful resources](#) section of the supporting detailed guide.

#### *China supplement*

China law, in particular the requirements under the Unfair Competition Law and the related judiciary interpretations, would require information to be subject to certain effective protective measures beyond just being identified as confidential for non-disclosure obligations to attach. As such, it would also be important to identify and limit access to equipment and facilities that may hold or store confidential information.

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## 3.8 Freedom of Information

Simply stating in the agreement that background is to be kept confidential and/or marking it as confidential will not guarantee that will be kept confidential. As from 1 January 2005, members of the public have had the ‘right to know’ under the Freedom of Information Act 2000 (FOIA). This means that universities will be obliged to disclose information on request unless:

- the information was provided by another person to the university in confidence and its disclosure would mean that the university would be in breach of confidence and could be sued by the person whose information is disclosed (that is that the disclosure would be an actionable breach of confidence on the part of the university)
- the information is a trade secret
- the disclosure would harm the commercial interests of the university or another person

Even if information is a trade secret or commercially sensitive when it was disclosed to the university, this may have changed in the interim and, whenever a request is made under the FOIA, universities have to decide whether the information falls within one of the exemptions under the Act at the time the request is made. In practice that will often mean that the universities will need to consult the person who made the information available before deciding whether or not they have to comply with the request.

More information on the FOIA can be found on the [Information Commissioner’s](#) website.

### *China supplement*

China law would also provide the public with some “right to know”, which would require China Universities and research institutes to make information public on request, unless the information:

- is a state secret
  - is a trade secret and there has been no consent or change in circumstance to permit its disclosure
  - is or pertains to private personal data and there has been no consent or change in circumstance to permit its disclosure
  - is not to be disclosed by operation of law, rule or the institution’s policy
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## 3.9 External funding

If any funding is provided from the public purse, eg any government department, the Ministry of Defence, a Research Council, a Higher Education Funding Council, JISC, a Regional Development Agency, or the European Commission, there will be conditions attached to that funding and there may be state aid issues that affect the ownership and exploitation of IP.

### *China supplement*

External Funding provided to a China University or research institute will often be public money. China law and regulations can also operate to create government rights that affect the ownership and exploitation of IP, especially when such is the results of publicly funded research and development projects. The parties should discuss such matter and consult China law counsel as appropriate.

## 3.10 State aid

Any aid granted by a Member State of the European Union or through state resources in any form, and which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, in so far as it affects trade between member states of the European Union, is incompatible with the common market. As a result of this, public organisations that fund R&D may impose terms designed to ensure that there is no distortion of competition. It is important to look at the state aid implications, especially if services are being provided or IP is being licensed at less than market price; the recipient of unlawful [State Aid](#) may have to repay it.

## 3.11 Funding conditions

Equally, where funding is provided by any third party, such as a charity, there are likely to be conditions attached to that funding.

It is important that the terms of the agreement do not conflict with any terms imposed by the provider of the funding. The party receiving the funding (often, but not always, a university) should check that the terms of the funding and the terms of the agreement are consistent. The agreements may not be suitable for your purposes if the funding agreement or conditions impose conflicting terms.

Some (but not all) funding bodies will insist that the party receiving the funding ensures that its collaborators comply with those terms.

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## 3.12 The field and the territory

(research collaboration agreements 1, 2 and 3 only)

Where the university owns the IP in any result and grants a non-exclusive licence to the sponsor under clause 4.5, the sponsor's use and exploitation of that IP may be limited to a specific business or technological area or field, and/or to a specific geographical area or territory.

By granting a non-exclusive licence in a field, the university is precluded from granting exclusive rights to any third party in the same field and in the same territory, but it may grant non-exclusive licences, and may itself exploit the technology, in that field and territory.

If the sponsor's key business area is pharmaceuticals, or its activities are limited to Europe, the sponsor may have no need for a licence in other fields or territories, so leaving the way clear for the university, or other licensees of the University, to exploit the IP in other fields/territories.

If the Sponsor's use of the IP is not limited to a specific territory, you should insert 'worldwide' in the definition of the Territory.

### *China supplement*

Please refer to the notes supplement under the Use and exploitation of IP – 6.4 Factors influencing exploitation rights heading.

## 3.13 Good data management practices

It is important that people can rely on the integrity of the research data and that adequate records are kept, not only for the purposes of filing patents but also to be able to demonstrate who created the results for the purposes of establishing the ownership of other IP.

## 3.14 Group company

The sponsor may be part of a group of companies and its R&D may be carried out across various companies in the group. Therefore the university allows the group to use the university's background (clause 4.2) and to use the results in clause 4.5 of research collaboration agreements 1, 2 and 3.

### *China supplement*

Given the possibility of one or more member of the Group company being incorporated in yet a third jurisdiction, consider changing the wording to accommodate UK, China and any other applicable jurisdiction governing the organisation and existence of companies, business associations or other forms corporate entities.

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## 3.15 Intellectual Property

The ownership and exploitation of IP is one of the most difficult issues and the parties should try to resolve it early when negotiating the terms of the Agreements.

### *China supplement*

The definition of intellectual property will probably have to be adjusted to accommodate both UK and China laws (and those of other jurisdictions to the extent necessary for a particular project). The terms “registered designs” and “database rights” as used in the research collaboration agreements 1-5 are EU concepts. In China, “registered designs” are referred to as “design patents”, and “database rights” are typically protected as copyright. China also recognises “plant variety” rights, and will also afford protection to integrated circuit mask works.

## 3.16 Key personnel

schedule 2 should contain the names of any people whose involvement is important to the success of the project. Where most of the work is being done by one party, for example, a university, the key personnel may all be university researchers, but where the sponsor is making a substantial ‘human’ contribution to the research activities, some key personnel may be provided by the sponsor. The significance of the key personnel is that if one of them leaves and is not replaced, the agreement may be terminated under clause 9.2 of the research collaboration agreements (clause 8.2 of research collaboration agreement 5).

### *China supplement*

When a key personnel leaving is to be contractually bound by non-disclosure and non-competition obligations for a certain period, China law would require specific considerations to be paid to such personnel for the restrictive covenants to be valid and enforceable.

## 3.16A Knowhow

### *China supplement*

In China, knowhow not patented (or not patentable) will have to be protected as trade secret and be kept confidential.

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### 3.17 The project

One of the most important parts of the agreement is the description of the project in schedule 2. That schedule and clause 2.2 determine what is to be done and the resources that are to be provided; the nature of the IP created will flow from the description of the project and its outputs or results. It is the cornerstone of the agreement and it is important that the researchers give serious thought to the contents of schedule 2 so that it is complete and accurate.

#### *China supplement*

When cross-border collaboration is contemplated, it may be even more important and more of a necessity to have a clear description of the project. Not only would a clearly defined scope of the project reduce the chance of disputes between the parties, it could be crucial to facilitate the licence of Background to a China entity for use in the project. Please refer to the notes supplement on “China law and regulations on technology import and export” under the Use and exploitation of IP – 6.3 Background heading.

### 3.18 R&D tax credits

The definition of the project will also be important in determining what work constitutes research and development for the purposes of the sponsor claiming R&D tax credits. Sponsors should consult their accountants about the possibility of claiming R&D tax credits.

#### *China supplement*

China law and policy may also make certain R&D tax incentives available to the project. The parties should discuss such matter and if necessary, set out appropriate provisions in the agreement in this regard.

### 3.19 The sponsor’s supervisor

Where the sponsor is making a significant contribution to the research work, the person leading the sponsor’s team should be named.

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## 4. The project

(clause 2)

### 4.1 Beginning work before the agreement is signed

If work on the project has already begun before the agreement is signed and dated, it is important to make the agreement apply retrospectively to work already done.

#### *China supplement*

When cross-border research collaboration is contemplated, it is highly recommended to have in place a formal definitive agreement before work begins.

### 4.2 Resources

References to each of the parties/neither party should be used where the sponsor is contributing resources in addition to the financial contribution and may be carrying out some of the research.

In the context of clause 2.2, the university may take the view that it should not be obliged to provide more resources than the sponsor's financial contribution and any external funding allows. If that is the case, it may wish to add:

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and in the case of the university, this will be limited to the extent allowed by the financial contribution paid by the sponsor and any external funding the university receives for the project

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at the end of the first sentence.

### 4.3 Ability to carry out the project

The purpose of clause 2.2.6 is to ensure that each party either has or will, at the appropriate time, obtain any consents and approvals (for instance regulatory and ethical) that may be necessary for it to carry out its responsibilities under the project. This is unrelated to the warranty on Intellectual Property Rights in clause 7.1.

#### *China supplement*

Although the procedures have become much more routine and predictable, many aspects of conducting business in China continue to require various forms of registration with or approval from governmental authorities. In many instances, the China entity will be the one pursuing the registration and/or approval, or they may be able to offer valuable assistance to the UK entity which may be required to pursue the matter in its own name.

Some projects in or involving life sciences, bio-medicine and related subject matters may require mandatory approval from relevant authorities at the local and/or central government level. For

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example, if the project involves genetic substances originating from China, specific government approval is likely required. Even research on or relating to traditional Chinese medicine could require government approval. Failure to obtain the necessary approval could have serious consequences, including the loss of rights to the discoveries.

Please refer to the notes supplement on “Capacity to enter into agreement” under the Parties heading.

## **4.4 No guarantees**

Clause 2.5 makes it clear that the success of the project is not guaranteed; that is in the nature of a research project.

## **4.5 Reports**

In clause 2.6 the parties should agree how frequently reports are to be submitted. The frequency of reports will depend on the nature of the project and the requirements of any funding body.

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## 5. Financial contribution, external funding

(clause 3)

### 5.1 Hardship clause

In projects where any financial contribution is not based on the costs incurred, the parties may agree to include a hardship clause in schedule 1, providing for the sponsor meeting (or at least considering meeting) any unanticipated increases in the university overheads, such as National Insurance contributions.

#### *China supplement*

It is also possible that research collaboration may cause an unanticipated increase in the overheads of a China University or research institute, in the form of social security contributions or other levies that may be required under China law and regulations.

### 5.2 VAT

In clause 3.2 'similar tax' is intended to refer to the equivalent of VAT in other countries, or any tax that might replace VAT in the UK.

The provision of research services by an 'eligible body' to another 'eligible body' is exempt from VAT. 'Eligible body' is a term defined in the Value Added Tax Act 1994. Typically universities and government departments (including executive agencies) are eligible bodies but a university subsidiary company, set up to carry on commercial activities, is not. A sponsor or 'partner' in the industrial sector will not be an eligible body.

The result is that the university, as a provider of services to the sponsor, should charge the sponsor VAT at the standard rate and deliver a VAT invoice for the financial contribution. That is not necessarily the case in relation to any external funding received; depending on the status of the funder, that may be exempt from VAT. You should contact your local VAT office if in doubt.

#### *China supplement*

Profit-making entities and also the profit-making arms of a China University or research institute rendering services will be subject to VAT. The parties should discuss the tax status of the China entity involved in a collaboration arrangement and make provisions accordingly.

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## 5.3 Interest on late payments

Clause 3.3 allows interest to be calculated by reference to LIBOR or the Late Payment of Debts (Interest) Act. The Late Payment of Commercial Debts Act allows interest to be charged at a rate that is about 8% over Bank of England base rate. You should choose which you wish to use. Another possibility is calculating interest by reference to the base rate of any high street bank.

### *China supplement*

Since a China party is involved, consider including the reference rates published by the PBOC as an option.

## 5.4 Conflicts with funding conditions

(clause 3.5)

Before entering into any agreement you should check the terms of any external funding and any conflicts should be resolved by amending the terms of the agreement or, perhaps, by deciding not to use one of the model agreements.

### *China supplement*

The parties, nonetheless, should strive to reach a good mutual understanding on the importance of complying with the conditions of any external funding from whichever source. The parties may want to provide for a steering committee structure to govern the project, and also to serve as a first stop to resolve disputes.

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## 6. Use and exploitation of IP

(clause 4)

### 6.1 The university's return

When the university owns the IP in the results and licenses them to the sponsor (clause 4.5 in research collaboration agreements 1, 2 and 3), as a charity, the university is obliged to seek a fair return. That return may take various forms - a one-off payment, royalties or a share of revenue.

Where research collaboration agreement 1, 2 or 3 is used, the initial return to the university (for a non-exclusive licence) is the financial contribution paid by the sponsor, details of which are in schedule 1. That may take the form of a fixed sum or the payment of royalties (or a combination of the two). Where the return is in the form a royalty, the words 'fully paid-up, royalty free' should be deleted from clause 4.5.

Where the sponsor then negotiates and is granted a further licence or takes an assignment of IP in some of the results (research collaboration agreements 2 and 3), the university will seek a further return. What that return is will be determined in the negotiations between the university and the sponsor for the licence or assignment.

Where the sponsor owns the IP in the results (research collaboration agreements 4 and 5), the return to the university is the financial contribution paid by the sponsor, details of which are in schedule 1. If the university is to receive on-going payments (such as a revenue share) from the sponsor after completion of the project, these should also appear in schedule 1.

### *China supplement*

#### **Transferring intellectual property which is considered China state-owned assets**

China Universities and research institutions are primarily public institutions supported by government funds and as such, IP that result from their research may well be considered state-owned assets. China has strict rules in place to prevent state-owned assets from being sold at an under-value, but a recent law change would have the effect of encouraging China Universities and research institutes to take bolder steps towards commercialisation of IP discovered through R&D efforts. The law change would allow China Universities and research institutes to determine the pricing of intellectual property through negotiation or by bidding. If it is done by negotiation, such price will need to be publicised. As the law change is rather recent, more procedural details are expected to emerge in the coming future.

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### **China law and regulations on inventor remuneration**

As a related issue, the China University or research institute will need to have given its employees/researchers who made or created the invention proper remuneration in accordance with applicable laws and rules. Such remuneration may include a percentage of the royalty the China entity receives in respect of the subject IP. Although at law the China entity would be responsible for meeting these inventor remuneration obligations, the parties are advised to include express statements on the allocation of such responsibility to the China entity to avoid casting doubts on the UK Sponsor's ownership of the IP.

## **6.2 Re-assignment of IP/time limited licence**

The university may wish to include a clause that re-assigns rights to the university if certain targets for on-going payments are not met, or if the sponsor is not exploiting the IP, but that sort of clause may not be effective if the sponsor has gone into liquidation.

If there is any concern about the solvency of the sponsor to whom any IP is to be assigned, the university may prefer to grant a licence that can be terminated on breach or insolvency.

Another approach that you might consider is to time limit the rights of the sponsor where the sponsor is to exploit the IP, allowing it exclusivity for a number of years, and at the end of that period, the university and the sponsor both having non-exclusive rights to exploit the IP.

### *China supplement*

Please refer to the notes supplement on "Effectiveness of assignment" under the Use and exploitation of IP – 6.7 Assignment of IP heading.

## **6.3 Background**

Clause 4.1 clarifies that the agreements are concerned only with the ownership and right to exploit the IP in the outputs or results of the project; the ownership and exploitation of other IP rights are not affected.

Under clause 4, if either party provides any background, the other party may not exploit it commercially or use it for any purpose except the project. The parties may wish to consider extending the licence of background so that it can be used where necessary for the exploitation of the results.

Unless a party designates any of its background as confidential, it may be used it in connection with the academic publication of the results. (Please see the note on academic publication).

## *China supplement*

### **China law and regulations on technology import and export**

A UK entity licensing (or assigning) intellectual property to a China entity would be a technology import to China. In the case of a technology import, China law and regulations require:

- an approval by relevant authorities for certain restricted technologies (though freely tradeable technology should require no approval)
- a warranty from the supplier of the subject technology that the technology is complete, accurate, effective and capable of achieving certain agreed upon technical objective.

For Background identified in Schedule 2 that is to be imported into China, the parties are advised to enter into ancillary technology import agreements wherein the supplier of technology will provide the warranty to meet the China law requirement on technology import. As for the agreed upon technical objective, it should suffice for each such import to be capable of being the technical basis for certain element of the collaboration research. This does not require either party to guarantee the success of the overall project.

A China entity licensing (or assigning) intellectual property to a UK entity would be a technology export out of China. In the case of a technology export, China law and regulations require:

- an approval by relevant authorities for certain restricted technologies (though freely tradeable technology should require no approval, and certain “banned” technologies may be prohibited from export)

Technologies that are restricted or prohibited from exports are generally those considered unique or otherwise of extreme value or importance to China. The China government maintains a catalogue of restricted and prohibited technologies for import and export. The parties may want to consult with counsel familiar with the subject matter for detailed guidance.

### **UK export control when exporting to China**

In the case of a UK entity licensing (or assigning) intellectual property to a China entity, such might trigger UK export control or similar restrictions imposed by other applicable jurisdictions. Parties in those situations should consult with counsel familiar with the subject matter for detailed guidance.

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## 6.4 Factors influencing exploitation of IP rights

The decision as to which party owns the IP in the results and/or has the right to exploit them will depend on a number of factors including: the parties' respective contributions in terms of intellectual effort, background, money, materials, facilities and human resources, their ability to exploit the results, any conditions imposed in relation to any external funding, and a company's need to claim R&D tax credits (for which the IP in the results needs to vest in the company, either alone or with another person) and a company's need to own assets against which it may be able to raise investment. Please refer to the [decision guide](#) when deciding which of the 5 research collaboration agreements to use.

### *China supplement*

#### **Ownership, licencing and assignment of Results**

Under China law, ownership to improvements (i.e., the intellectual property in the Results) must be specifically paid for. For that reason, in the case of UK Sponsor in research collaboration with a Chinese University or research institute and where the UK Sponsor is to have IP ownership (research collaboration agreement 4), the UK Sponsor will not be able to obtain a "free" license, but must stipulate specific consideration to be paid for such improvements.

Please refer to the notes supplement on "Transferring intellectual property which is considered China state-owned assets" and "China law and regulations on inventor remuneration", each under Use and exploitation of IP – 6.1 The University's return.

Please refer to the notes supplement on "China law and regulations on technology import and export" and "UK export control when exporting to China", each under the Use and exploitation of IP – 6.3 Background heading.

#### **The nature of licence agreements under China law and practice**

China law and practice also makes a distinction not just between an "exclusive" and a "non-exclusive" licence, but also specifies the nature of an "exclusive" licence. The distinctions that China law and practice makes affect the standing and right to sue of the licensor and licensee in litigation.

In China, an "exclusive" licence means the licensee is the only party that has the rights to the IP under licence, to the exclusion of the licensor even. The exclusive licensee is allowed to enforce the IP against an infringement solely on its own without need to be joined by the licensor.

A "sole" licence in China means that both the licensor and the sole licensee have the rights to the IP under licence. Likewise, a sole licensee normally enforces the IP against an infringement jointly with the licensor, but is permitted to take enforcement actions solely on its own if the licensor fails to act.

A "non-exclusive" licence in China is often regarded as an "ordinary" licence where the licensee may only enforce the IP against an infringement on behalf of the licensor if it is specifically authorised to do so.

If the parties are considering different forms of licencing and when Chinese and English language versions of the agreement are to have force and effect, it is particularly important to have relevant clauses reflect the true and agreed upon intent in both versions.

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## 6.5 The difference between research collaboration agreements 4 and 5

In research collaboration agreements 4 and 5 the sponsor will own the IP in the results from the moment they are created. The essential difference between agreements 4 and 5 is that, under the latter, the university has no right to use the results for academic purposes. This means that in carrying out a project under research collaboration agreement 5 the university is not pursuing its charitable objectives. For that reason most universities will channel this sort of contract research through a subsidiary trading company.

It is important that the parties decide which IP provisions apply when they are discussing their respective contributions to the project and the contents of schedule 2 (the project description).

### *China supplement*

It is also likely that in a contract research setting, a China University or research institute will channel such activity through a subsidiary company.

## 6.6 Subcontractors and students

Where any student or sub-contractor works on the project, the university or the party engaging the sub-contractor should ensure that it has acquired any rights in the IP that the student or sub-contractor acquires by virtue of his involvement in the project. Those rights will not automatically belong to the party that engages the sub-contractor.

### *China supplement*

Typically, a student at a China University or research institute working on a research collaboration project will be treated as such entity's regular employee.

Please refer to the notes supplement on "Ownership, licencing and assignment of Results", under the Use and exploitation of IP – 6.4 Factors influencing exploitation of IP rights heading.

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## 6.7 Assignment of IP

Although research collaboration agreements 4 and 5 provide for the sponsor owning the IP in any of the results created by the University, that IP needs to be transferred or assigned to the sponsor. Clause 4.4 of agreements 4 and 5 contains that assignment.

Some forms of IP, such as copyright, can be assigned in advance or prospectively assigned, ie before the IP is created, but that is not always the case. The IP is assigned in advance where the law allows that, and where IP cannot be assigned in advance there is an agreement to assign it later, once it has come into existence.

### *China supplement*

#### **Effectiveness of assignment**

Under China law and practice, assignment of some types of IP cannot be effectuated and is not complete until the relevant government authority (viz., the PRC State Intellectual Property Office for patents and the China Trademark Office for trademarks) gives its approval. Change registration of copyright does not require approval.

Please refer to the notes supplement on “Transferring intellectual property which is considered China state-owned assets”, under the Use and exploitation of IP – 6.1 The University’s return heading.

Please refer to the notes supplement on “China law and regulations on technology import and export” under the Use and exploitation of IP – 6.3 Background heading.

## 6.8 Notifying results

The obligation in clause 4.4 (4.5 in agreements 4 and 5) is to notify any patentable results promptly, and the clause leaves the notification of other results until the time of the next report. This is to reduce the administrative burden but, depending on the nature of the project, the parties may wish to consider amending the clause so that all results are to be notified promptly.

## 6.9 Warranty of full title guarantee

Where the university is undertaking contract research for the sponsor, the sponsor may want the university to assign ‘with full title guarantee’. (See clause 7.8 of research collaboration agreement 4.) If the university gives that warranty it is promising that:

- it has the right to dispose of the IP and that it will, at its own cost, do all that it reasonably can to give the title (ownership) that it purports to give
- the IP is free from all charges and encumbrances (such as a mortgage) and rights of third parties (except those that it doesn’t know about/could not be expected to know about)

You will need to discuss whether the university is willing to assign with full title guarantee or whether the fuller alternative wording in clause 7.8 (clause 6.8 in research collaboration agreement 5) should be amended to suit the circumstances.

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### *China supplement*

Please refer to the notes supplement on “Transferring intellectual property which is considered China state-owned assets”, under the Use and exploitation of IP – 6.1 The University’s return heading.

## **6.10 Licence back of the results**

Where the IP in the results has been assigned to any party, the other(s) will need a licence to use them to carry out the project. This licence appears in clause 4.6 of research collaboration agreements 4 and 5.

### *China supplement*

Please refer to the notes supplement under the Use and exploitation of IP heading.

## **6.11 Licence to sponsor**

(research collaboration agreements 1, 2 and 3)

Because in research collaboration agreements 1, 2 and 3 the university owns the IP in the results, in clause 4.5 of those agreements the university grants the sponsor and its group companies the right to use the results for any purpose (possibly in a specific field and/or territory), but the sponsor has no right to sublicense the use of the results. If the sponsor wishes to sublicense the use of the results, or to have exclusive rights, it will need to negotiate to obtain a further licence, and/or to take an assignment of some or all of the IP in the results (please see clause 4.6 in research collaboration agreements 2 and 3).

Note that research collaboration agreement 1 does not envisage any further licence or an assignment, but there is nothing to stop the university and the sponsor negotiating later if this is what they both wish to do.

### *China supplement*

Please refer to the notes supplement under the Use and exploitation of IP – 6.4 Factors influencing exploitation of IP rights heading.

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## 6.12 Negotiations for further licence / assignment of IP

(research collaboration agreements 2 and 3 only)

In clause 4.6 in research collaboration agreements 2 and 3 the university and the sponsor agree to negotiate to try and agree the terms of a further licence or assignment of IP in certain of the results to the sponsor. Agreements to agree (of which this is an example) are not enforceable in English law. Some Sponsors may be worried that the negotiations may come to nothing.

In order to bring more certainty to the negotiations, the parties may prefer to include an outline of the terms that envisage will apply to any further licence or assignment (please see schedule 3 in research collaboration agreements 2 and 3).

### *China supplement*

Please refer to the notes supplement under the Use and exploitation of IP – 6.4 Factors influencing exploitation of IP rights heading.

Please refer to the notes supplement on “Effectiveness of assignment” under the Use and exploitation of IP – 6.7 Assignment of IP heading.

## 6.13 Issues to be addressed

The sort of issues that may need to be addressed include:

- which of the results is licensed/assigned?
  - is the licence exclusive (or possibly a sole) licence?
  - is the licence restricted to one or more specified territories, or is it worldwide/are worldwide IP rights assigned or only those in some territories?
  - is the licence restricted to one or more specified fields?
  - •what is the duration of the licence - indefinite, a fixed term of years or terminable on [X] amount of notice by either party?
  - commercial terms - will the Sponsor make one off payment, pay royalties or a revenue share, or a combination of both in return for the licence/assignment?
  - how are payments to be calculated?
  - when are payments to be made?
  - are there any minimum sales targets?
  - do the rights revert to the university if those targets not met, and is the university obliged to make payments to the Sponsor if the university then commercialises the rights that have reverted to it?
  - are any of the confidentiality obligations in the research agreement to be relaxed to give effect to the new arrangements?
-

A form of patent and know-how licence agreement and patent assignment may be found in the [useful resources](#) in the accompanying detailed guide.

### *China supplement*

Please refer to the notes supplement under the Use and exploitation of IP heading.

## **6.14 The sponsor's position under research collaboration agreement 1**

### **(non-exclusive licence)**

The comfort for sponsors is that they already have non-exclusive rights granted under clause 4.5, and that means that the university will not be able to grant an exclusive licence to a third party in the same field and territory; in practice the most likely person the university will want to deal with is the sponsor because of its involvement in the project and understanding of the technology and the market for the technology; the university will have a financial incentive to do business with the sponsor, so as to increase the university's return.

To give further comfort, the university agrees, for a period of time, not to offer better terms to any third party. In practice this may be difficult to enforce; because the sponsor is already a non-exclusive licensee, it will not be easy to compare like with like and the value of any additional rights may be greater to the Sponsor than to any third party.

### *China supplement*

Please refer to the notes supplement on "The nature of licence agreements under China law and practice" under the Use and exploitation of IP – 6.4 Factors influencing exploitation of IP rights heading.

## **6.15 Patenting strategy**

As the owner of the IP in the results, the university may or may not decide to patent any invention. If the sponsor is interested in acquiring exclusive rights or in taking an assignment of the IP in any results, it may wish the university to apply for a patent so as to protect those results. In practice the University and the sponsor will need to discuss a patenting strategy.

It is suggested that the sponsor pays the patenting costs that the university would not otherwise have incurred, but that if the rights are then licensed or assigned to a third party by the university, the university reimburses the Sponsor. (Please see clause 4.6.4 in research collaboration agreements 2 and 3.)

### *China supplement*

Patent prosecution and maintenance fees can be prohibitively expensive. The parties should discuss and come to a clear understanding as to who pays. It should also be emphasised that early publication or disclosure of an invention can seriously affect its patentability in China or elsewhere.

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## 7. Academic publication

(except research collaboration agreement 5)

For reasons explained above in the context of the definition of academic publication, there is an obvious tension between industry's wish to protect its information and materials and academia's wish to publish, and it may be necessary for the parties to discuss how a proposed publication may be amended in order to accommodate the academics' desire to publish while retaining protection for sensitive information and materials. This issue should be addressed as early as possible in the negotiations.

The period during which academic publication may be delayed will vary according to the circumstances and the nature of the information; it may be as little as one month or as much as 12 months (or possibly more).

Research collaboration agreement 5 (contract research) does not allow for academic publication. This is because the university is being commissioned to undertake research on a purely commercial basis and will be paid accordingly.

### *China supplement*

As discussed in the notes supplement under the Definitions – 3.1 Academic Publication heading, it is desirable to have an express provision preventing publication in a contract research agreement (research collaboration agreement 5).

### 7.1 Theses

Where students are involved in the project, the sponsor and the university may agree to add a clause allowing for the submission of a thesis and its deposit in the university library. An example of that sort of clause is given below. The university will need to have a process in place for examining theses confidentially and restricting access to them in the library.

Possible thesis clauses:

Where, with the agreement of the sponsor, any registered student of the university has been involved in the project, nothing in this Agreement will prevent that student submitting a thesis based on any of the [results and the] sponsor's background for a degree of the university, or the examination of that thesis by examiners appointed by the university, or the deposit of that thesis in a library of the university in accordance with the relevant procedures of the university. However, if the examination or deposit of the thesis would disclose any [result or any] of the sponsor's background that is confidential information, the university will notify the sponsor at least [30][60] days before the thesis is due to be submitted, and the sponsor may, by giving notice to the university ('a Thesis Notice') within [15][30] days after the sponsor receives the notice from the university, require any external examiners or readers of the deposited thesis to sign confidentiality undertakings as a condition of receipt of the thesis. If the university does not receive a thesis notice within that period, it may proceed with examination and deposit of the thesis.]

Or

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Where, with the agreement of the sponsor, any registered student of the university has been involved in the project he will follow the university's regulations for the submission of any thesis or theses for examination. In any event the university will procure that the student will submit a draft thesis to the principal investigator and the sponsor's supervisor at least [30] days before the date for submission for examination. The student may not, without the sponsor's express written consent, include in any thesis any of the sponsor's background or and results belonging to sponsor.]

### *China supplement*

Do discuss with the China University or research institute about its policy and process for restricting access to theses that are subject to confidentiality. Often the university department or research laboratory will have effective control over those processes and therefore, it will be important for the requirements and expectations to be understood and agreed at that administrative level.

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## 8. Confidentiality

(clause 6 in research collaboration agreements 1-4, clause 5 in research collaboration agreement 5)

### 8.1 Confidentiality of results

The agreements treat the results as the confidential information of the party to whom they belong.

#### *China supplement*

China law, in particular the requirements under the Unfair Competition Law and the related judiciary interpretations, would require information to be subject to certain effective protective measures beyond just being identified as confidential for non-disclosure obligations to attach. As such, it would also be important to identify and limit access to equipment and facilities that may hold or store confidential information.

### 8.2 Time limits

It's common for people to want to limit the time during which information is to be kept confidential, and clause 6.1/5.1 allows for that. The danger of doing this is that the information may still be commercially sensitive, or should be kept confidential for some other reason, after the end of the period of confidentiality. The parties should consider whether information is to be kept confidential indefinitely. If it is, the words in square brackets in clause 6.1/5.1 should be omitted.

### 8.3 Freedom of Information

Under the Freedom of Information Act 2000 (FOIA) the public has a right of access to recorded information held by public authorities. In effect this means that universities are obliged to disclose information to anyone who asks for that information unless the information comes within one of the exemptions to the Act.

For the purposes of research collaborations, the most likely exemptions are:

- the disclosure of the information would be a breach of confidence in relation to which the university could be sued
- the information is a trade secret or its disclosure would prejudice someone's commercial interests and the public interest in withholding the information outweighs the public interest in disclosing it

If a university is requested to provide information under the Act, it is likely to need to consult with the other party or parties to determine whether either of the above exemptions applies. For example, even if information has been supplied by the sponsor in confidence initially, if the information has since come into the public domain, it will no longer come within the first exemption. The university may not, however, be aware of that unless it consults with the sponsor.

Clause 6.2.5 / 5.2.5 allows the university to make any disclosure required by law. That means that the exemption mentioned in a) above will not apply; the sponsor will have no right to sue the university for any disclosure made under the Act. Although that helps the university to

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comply with the FOIA, and to avoid the risk that the sponsor may sue the university for breach of confidence, the sponsor may find that approach unacceptable so far as its sensitive information is concerned, and it will make the sponsor less willing to provide information to the university. Therefore an exception for disclosures under the FOIA has been added.

If the parties have agreed to include a clause allowing for the examination and submission of thesis, they will need to add the following to the end of clause 6.3 / 5.3:

; or by the examination or deposit of a student thesis if the [University] [Academic Party] has followed the procedure in clause 6.3 / 5.3 and has received no Thesis Notice within the period stated in that clause.

### *China supplement*

Please refer to the notes supplement under the Definitions – 3.8 Freedom of Information heading.

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## 9. Limitation of Liability

(clause 7 research collaboration agreement 1-4, clause 6 in research collaboration agreement 5)

### 9.1 Warranty

The alternative wordings for clause 7.1 (6.1 in research collaboration agreement 5) take very different approaches. In the first version of the clause there is a limited warranty against the infringement of third party rights. The second set of wording makes it clear that no warranty is given in this respect. This is something that the parties will have to negotiate. Even where a warranty is given, the warranty is qualified and appropriate searches should be made by the party wishing to exploit any patentable invention.

The words in square brackets in clause 7.2 (6.2 in research collaboration agreement 5) should be omitted if the second version of clause 7.1 is used.

### 9.2 Indemnity from sponsor

In clause 7.3 (clause 6.3 in research collaboration agreement 5), the sponsor agrees to cover the university and its employees, and possibly its students, against any claim that is brought against them as a result of the sponsor's use of the results or the university's background. The rationale for this is that the sponsor takes the commercial risks associated with its use of the IP.

The indemnity is conditional on the person claiming the benefit of the indemnity letting the sponsor know about the claim quickly, not making any admission, allowing the sponsor to deal with the claim, and helping the sponsor in dealing with it (at the sponsor's expense). These conditions are imposed to make sure that the university and its employees and students do not make matters worse and potentially increase the amount of the claim.

The sponsor will not, however, indemnify anyone if their negligence or deliberate breach of the agreement, or a breach of confidence has given rise to the claim.

The parties should consider whether the sponsor should be required to have insurance to back up the indemnity. Larger organisations may self-insure, but where a party has limited financial resources, the indemnity may be worthless unless the party giving the indemnity has appropriate insurance.

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## 9.3 Exclusion of liability for indirect loss

The object of clause 7.4 (6.4 in research collaboration agreement 5) is to exclude liability for indirect loss, that is loss that the parties would not necessarily foresee as being the natural and direct result of a breach of contract or negligence; a loss that is suffered only because some special circumstance. Liability for loss of profits and revenue, and other some other types of loss (whether they are direct or indirect) is excluded altogether.

### *China supplement*

In China, a party in breach is expected to fully and adequately compensate the other side for their loss, which is usually assessed in terms of direct economic loss. Courts, however, may impose indirect damages. Parties should consider stipulating a cap on indirect damages in the event a China court imposes such indirect damages.

## 9.4 Cap on liability for direct loss

Clause 7.5 (clause 6.5 in research collaboration agreement 5) caps each party's liability by reference to the sponsor's payments to the university. This cap does not apply to the indemnity in clause 7.3 (6.3).

In any case, before agreeing a limitation of liability clause, the parties should consider their insurance arrangements.

Some sorts of loss cannot be excluded by law, and the agreements take the line that it would be unfair to cap or exclude liability for loss that has been caused deliberately or as a result of a breach of confidence. This principle overrides the limitations and exclusions in other clauses.

### *China supplement*

China law allows parties to set out in their contract liquidated damages, or to stipulate a method for calculating damages to compensate for loss.

As is the case for most cross-border transactions, seeking monetary damages is not always a straightforward process. In addition, China's judicial process allows somewhat limited opportunities of evidence discovery, and courts may not be as willing to issue orders for evidence preservation.

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## 9.5 Exclusion of implied terms and conditions

(clause 7.7)

The law, such as the Supply of Good and Services Act, and sometimes the course of dealing between the parties, can mean that terms are implied into an agreement, even though they are not actually set out in the agreement. This clause excludes that sort of term. A typical example of an implied term is that the supplier will use reasonable skill and care or that goods will be fit for purpose. Only the express terms of the agreement apply to the project.

### *China supplement*

Under China law and practice, parties often engage in mutual discussions to resolve disputes or ambiguities arising from a contract, and enter into supplemental agreements to address those disputes or ambiguities.

## 9.6 Full title guarantee

Please see the explanation of full title guarantee (under the heading use and exploitation of IP) for comments on clause 7.8 of research collaboration agreement 4 and clause 6.8 of research collaboration agreement 5.

### *China supplement*

Please refer to the note under the Use and exploitation of IP - 6.9 Warranty of full title guarantee heading.

# 10. Force majeure

### *China supplement*

China law recognises the concept of force majeure.

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# 11. Termination

(clause 9 in research collaboration agreements 1-4, clause 8 in research collaboration agreement 5)

## 11.1 Breach or insolvency

Under clause 9.1/8.1 either the university or the sponsor may terminate the agreement if the other has not complied with the agreement or if the other is insolvent.

## 11.2 Loss of key personnel

In some projects it may make sense to have a right to terminate if key personnel are unavailable and a suitable replacement is not appointed within a specified period (clause 9.2 of the research collaboration agreements (8.2 in research collaboration agreement 5).

Clause 10.3 allows any party to pull out of the Consortium if any of the key personnel is unable or unwilling to be involved. The use of this clause should be considered carefully; the withdrawal of a party could jeopardise the project as a whole and it may be preferable not to allow any party to withdraw without the agreement of the other parties. In practice, if a key academic researcher moves to another institution, it may be possible to novate the agreement with the new institution.

### *China supplement*

When a key personnel leaving is to be contractually bound by non-disclosure and non-competition obligations for a certain period, China law would require specific considerations to be paid to such personnel for the restrictive covenants to be valid and enforceable. This may be achieved by way of a payment stream extending over the restrictive period.

## 11.3 Provisions surviving termination

Some provisions of the agreement, especially confidentiality, intellectual property rights and limitations of liability should survive the end of the end of the project or termination of the agreement. Clause 9.3 of the research collaboration agreements 1-4 and clause 8.3 of research collaboration agreement 5 allow for this.

Note that if on-going payments are to be made, some of the payment terms may also need to survive the end of the project.

Universities should consider whether the licence in clause 4.5 and the provisions of clause 4.6 of research collaboration agreements 2 and 3 should survive if the agreement is terminated because the sponsor has not paid or is insolvent.

Not all sponsors will agree to pay employment costs after termination and clause 9.5 (8.5 in research collaboration agreement 5) will need to be discussed.

### *China supplement*

Please refer to the notes supplement under the Termination – 11.2 Loss of key personnel heading.

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## 12. General

(clause 10 in research collaboration agreements 1-4, clause 9 in research collaboration agreement 5)

### 12.1 Notices

If any party has cause to give a notice under the agreements, for instance that the sponsor wants to negotiate (research collaboration agreements 2 and 3), or to terminate, the procedure in clause 10.1/9.1 must be followed.

### 12.2 Assignment of agreement

If one party bows out of the project by assigning or transferring the agreement to a new party (clause 10.3/9.3), the original parties and the new party should consider whether to execute a novation agreement. This would typically release the party that is bowing out of the project from its undertakings (but preserve its obligations of confidentiality) and give the parties an opportunity to sort out any rights they need to use or exploit the IP of the party leaving the project.

### 12.3 Entire agreement

Clause 10.7/9.7 states that the agreement is the entire agreement between the parties. The parties should think carefully about whether that statement is correct. The effect of this clause is to remove the possibility that undertakings or understandings given or implied in any other document have any effect. That may not be appropriate if, for instance, the parties are relying on what is said in any proposal submitted for external funding. You may also want to include the funding terms if they impose conditions that apply to the relationship between the parties.

### 12.4 Disputes (, Escalation and Governing law)

Clause 10.12/9.12 allows for escalation disputes within each organisation to help resolve disputes. That should not preclude any party taking action through the courts, where the matter is serious.

If the parties wish to maintain friendly relations, they might like to consider alternative dispute resolution (ADR) as an alternative to resolving disputes through the courts, but should bear in mind that they will have to pay any mediator. Further information and a brief explanation of what ADR means is available. Although the use of ADR is increasingly being encouraged to settle disputes before going to court, it may not be appropriate in all cases.

#### *China supplement*

Deciding on the governing law and dispute resolution mechanism are often the most difficult issues for cross-border transactions, but the parties are strongly advised to discuss these matters openly and candidly at the outset. The ultimate choice must take into account how the court judgment or arbitral awards are likely to be enforced.

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For the most part, parties to UK-China collaboration can agree on choosing either China law or English law as governing law. China Universities and research institutions may be less willing to stipulate English law and in that situation, Hong Kong law may be an alternative. Nonetheless, to have chosen another jurisdiction's law to govern a contract may complicate matters and increase costs if the parties have to litigate disputes in a China court late on.

China Universities and research institutes may be less willing to have disputes adjudicated in courts outside of China. Arbitration under internationally recognised rules and procedures may be the practical alternative, with Hong Kong and Singapore as possible alternative locations for the proceedings to take place. China, like the UK, is a contracting state of the New York Convention on Recognition and Enforcement of International Arbitration Awards, and will recognise foreign arbitral awards made in other contracting states. China, however, has reserved the recognition of foreign arbitral awards made in reciprocal states that are rendered on disputes that China considers commercial in nature. Disputes arising from research collaboration would normally qualify as commercial in nature, but complications can still arise when state funding, state assets or national policy is involved or in play. This may have to be factored into consideration before any party decides to bring matters to arbitration.

If it would be considered comfort, under China law and practice parties often engage in mutual discussions to resolve disputes before resorting to the more formal channels of dispute resolution. The escalation procedures in the research collaboration agreements already provide a mechanism for such discussions to happen. The parties may, however, want to provide for a more formal steering committee structure to govern the project, and also to serve as a first stop to resolve disputes. If the parties choose this route, the details should be set out in Schedule 2.

## 12.5 Signatures

The research collaboration agreements should be prepared in duplicate and both the university and the sponsor should sign both copies. The signed copies should be kept safely. If there is a dispute it may need to be produced in court.

The principal investigator and the sponsor's supervisor are asked to acknowledge the terms of the research collaboration agreements as a check that the researchers are aware of its terms and that those terms reflect what they think they are doing. They are not parties to the agreement and are not liable to the other party if there is a breach of the agreement.

### *China supplement*

In China contracting practices, there may be a need for multiple original contract copies to be executed by the parties. See also the notes supplement under Parties and under Definitions – 3.2 This agreement.

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# 13 Schedules

## 13.1 Schedule 1 (The financial contribution(s))

The ways in which the project may be funded by the parties are very varied and will need to be negotiated. This schedule should set out complete details of the financial contribution to be paid by each party, eg whether the financial contribution is a fixed price or, where it is on a costs basis, the types of expenditure that will be reimbursed, the maximum amount (if any) that will be paid, any milestones to be met and any conditions attaching to payment.

The parties may agree that the sponsor will cover increases in salary (or at least those in line with national pay awards), superannuation and NI contributions. In that case this schedule should reflect this.

The starting point for the research collaboration agreements is that the sponsor will meet the full economic cost of the project or where the sponsor is to own IP the full economic cost plus a profit element. For information of full economic cost please refer to the [FAQ's](#) and [note for HEIs and government departments](#).

## 13.2 Schedule 2 (The project/project plan)

This schedule should contain a full description of the project, clearly setting out what each party is to do (with a timetable if appropriate), and the human resources, facilities and equipment each party is to provide. The research collaboration agreements contain a list of the matters that might be covered in this schedule. It is not exhaustive and there may be additional issues that are important to the project.

### *China supplement*

For Background identified in Schedule 2 that is to be imported into China, the parties are advised to enter into ancillary technology import agreements wherein the supplier of technology will provide the warranty to meet the China law requirement on technology import. As for the agreed upon technical objective, it should suffice for a subject technology to be capable of being the technical basis for certain element or stage of the overall collaboration research. This does not require either party to guarantee the success of the overall project. Please refer to the notes supplement on “China law and regulations on technology import and export”, under the Use and exploitation of IP - 6.3 Background heading.

If the parties decide to set up a steering committee to govern the project, set out the details in Schedule 2. Please refer to the notes supplement under the General – 12.4 Disputes (, Escalation and Governing Law) heading.

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### **13.3 Schedule 3 (research collaboration agreements 2 and 3)**

Please refer to the note on negotiations for further licence/assignment of IP under the use and exploitation in IP heading.

#### *China supplement*

Please refer to the notes supplement under the Use and exploitation of IP heading.

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Concept House  
Cardiff Road  
Newport  
NP10 8QQ

Tel: 0300 300 2000  
Fax: 01633 817 777

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