

Intellectual Property rules within the Fusion for Energy contractual framework

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Introduction

Euratom energy research activities are carried out under the treaty with the same name which established the **European Atomic Energy Community** (Euratom) in 1957. Euratom is legally separated from the European Union (EU); however it is managed by the same European institutions.

Funding for the Euratom nuclear research activities is provided under a particular Framework Research Programme - FP7 Euratom¹. In FP7 Euratom there are two specific programmes, one of which focuses on **fusion energy research**. The objective of such a programme is the development of technologies for a safe, sustainable, environmentally responsible and economically viable energy source². Within this policy rationale, the realisation of the **International Thermonuclear Experimental Reactor (ITER)** is the central priority for this programme.

The ITER project³ has been set by seven parties (Euratom, China, India, Japan, South Korea, Russia and USA), which have concluded an agreement establishing the ITER International Organization (ITER IO). Each

¹ For further information on Euratom, see: http://ec.europa.eu/energy/nuclear/euratom/euratom_en.htm.

² See Council Decision 2006/970/Euratom of 18 December 2006 concerning the Seventh Framework Programme of the European Atomic Energy Community (Euratom) for nuclear research and training activities (2007 to 2011).

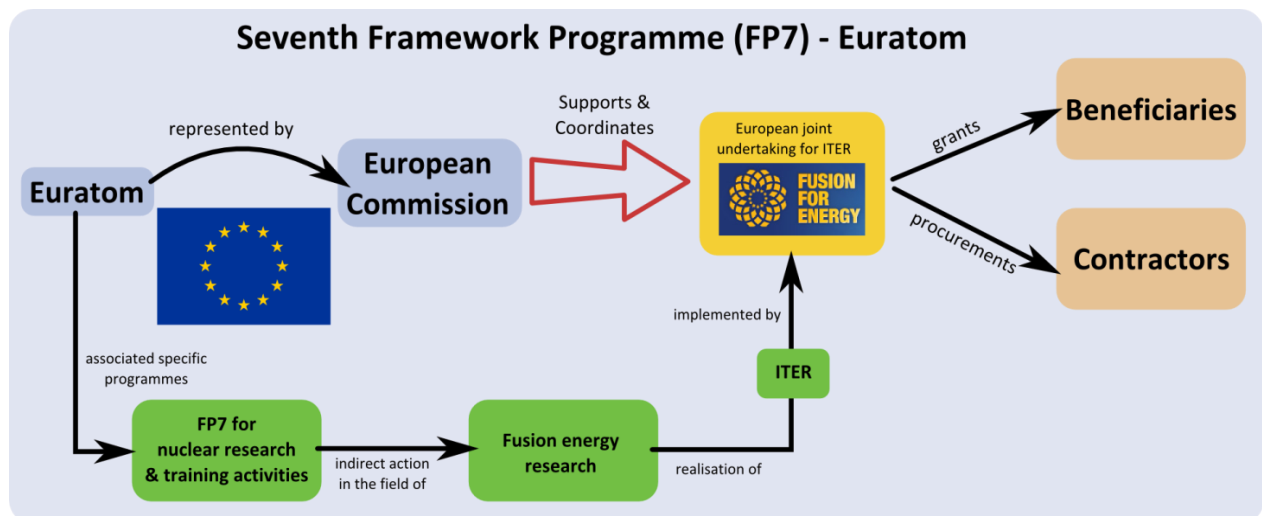
³ For further information, see: <http://www.iter.org/>.

party provides its contribution to the ITER IO through a "Domestic Agency". The **‘European Joint Undertaking for ITER and the Development of Fusion Energy’⁴ (F4E)** is the domestic agency responsible for **providing Europe’s contribution** to the ITER project.

F4E will also be competent for the implementation of the Broader Approach activities with Japan which aims to complement the ITER Project and to accelerate the realisation of fusion energy by carrying out R&D and developing some advanced technologies for future demonstration fusion power reactors (DEMO). Such activities include:

- the International Fusion Materials Irradiation Facility (IFMIF) project⁵;
- the Satellite Tokamak Programme (STP)⁶;
- the International Fusion Energy Research Centre (IFERC)⁷.

At the moment F4E is focusing on the preparation, management, technical and administrative support, and the construction of equipment and installations for the **realisation of ITER**. The full involvement of industry, including large companies, consortia, European laboratories and Small and Medium-sized Enterprises (SMEs) will be essential for the success of the joint construction of ITER. For this purpose, F4E intends to contract with such entities for the acquisition of goods and/or services through *procurement contracts*, and for the undertaking of research activities through *grant agreements*. Any economic operator established in the EU, Switzerland and, when specified, in another part of the world, can apply to the different calls for the granting of the previous two contracts.



Within Euratom FP7, such activities are implemented on the basis of specific rules set out in the F4E framework. That is, F4E contracts do not follow the general Euratom FP7 rules⁸, but contain specific ones

⁴ Further information can be found on the Fusion for Energy website at http://fusionforenergy.europa.eu/index_en.htm.

⁵ IFMIF project has the scope to develop materials that can withstand the conditions expected in a fusion reactor.

⁶ STP is a major experimental facility to develop operating scenarios and address key physics issues.

⁷ The IFERC mission will be the co-ordination of DEMO Design and R&D activities, large scale simulation activities of fusion plasmas by super-computer and remote experimentation activities.

appropriately shaped for the fusion energy research. Amongst those rules, Intellectual Property Rights (IPR) represent a core part of the F4E contractual framework and also follow their own regime⁹.

Accordingly, participants should be aware that they need to bring and share their own IP resources during the implementation of the project. Hence, they should become familiar with the IP issues and mainly they are asked to establish careful management of IP in all the phases of the project (i.e. proposal, implementation and completion phase).

Indeed, IP assets can be a potential source of future income so that careful management of IP has the purpose of making the most of the project results obtained therefrom.

The aim of the present document is to provide a comprehensive overview of the specific IP regime applicable to F4E contracts and to tackle the basic IP issues that participants in the programme may encounter when preparing and participating in F4E activities.

1. Grants & Procurement granted by F4E

For the implementation of its tasks, F4E uses two contract mechanisms: **grant agreements** (grants) and **procurement contracts** (procurement), which are underpinned by the principles of transparency, proportionality, equal treatment and non-discrimination¹⁰.

Procurement is awarded to **contractors** in order to obtain the supply of assets, the execution of works and/or the provision of services. These contracts are granted according to calls for tenders that may take one of the following forms: open procedure, restricted procedure, negotiated procedure or competitive dialogue. Procurement is a proper commercial agreement which provides contractors with 100% of the financial contribution from F4E.

Grants are direct financial contributions that fund **beneficiaries**, by way of donation, for research and development actions in order to support F4E's tasks. Co-financing and non-profit rules are mandatory in accordance with F4E's financial regulations.

In contrast to procurement contracts, grants are limited to 40% of financial contribution, the remaining part being borne by the beneficiaries.

The different funding rates between grants and procurement imply different rules for the management of IP in the related projects.

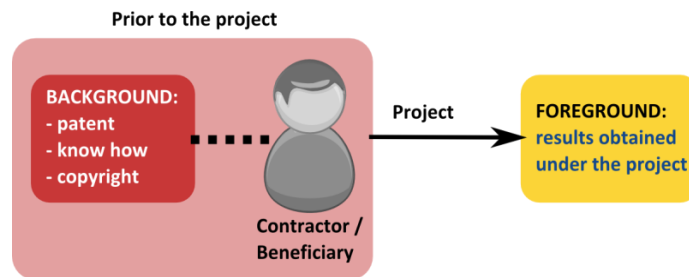
2. Background & Foreground

A distinction between IP generated previously or outside the scope of the project ("background") and IP generated during and under the execution of the project ("foreground") is required.

⁸ See chapter VI, Articles 51-52, Rules for participation in Euratom FP7 – COUNCIL REGULATION (EURATOM) No 1908/2006 of 19 December 2006.

⁹ The justification of this particular regime is to be found in the obligations that F4E has under the ITER agreement.

¹⁰ F4E's Industry Portal Calls regularly publishes calls to grant such contracts (<http://fusionforenergy.europa.eu/procurementsgrants/>).



Background: means the IP and information which is held by the participants prior to the signature of or outside the scope of the procurement or grants with F4E, and which is **needed** for carrying out the work under such contracts or for using foreground.

In order to guarantee that the needed background is clearly identified, participants are asked to provide a **background declaration**, which is merely used to report on the existing background and does not contain any assignment of rights. As a general rule, background **must** be identified in such a way that it is possible to **clearly distinguish** it from foreground once the project is completed, otherwise it will be deemed to belong to the project results. The purpose of this declaration is then to avoid potential disputes on the ownership in the future.

Furthermore, in case some restrictions are attached to such information or there are IPR belonging to third parties, the participant has to obtain all the rights allowing use of background from this third party in conformity with the obligations under the F4E's contracts.

It is worth noting that the ownership of the background is not affected by the participation in F4E's activities, meaning that in both procurement and grants participants remain the owner of their background.

Foreground: means the IP and information, whether or not it can be protected, which is generated throughout the life-time of the contracts with F4E. It includes IP rights (such as rights resulting from copyright, industrial design, patent and the like), similar forms of protection (e.g. *sui generis* right for databases) trade secrets and know-how (e.g. confidential material).

Participants should systematically and in due time notify F4E (through an **intermediate foreground declaration**) any creation of foreground, including any developed when subcontracting, and submit a final report at the end of the contract (**final foreground declaration**).

3. Access Rights

Access rights mean licences and user rights to foreground or background that is held by another party.

3.1. Procurement

- The contractor must grant access rights (e.g. a licence) to **background** to:
 - F4E on a royalty-free basis, if the background is needed for the use of foreground or goods supplied under the contract;
 - Any third party nominated by F4E for the purpose of implementing a contract with F4E, on fair and reasonable conditions;

- ITER IO or its members on a royalty-free or fee basis, depending on the nature of the background and the conditions for its use. It is worth mentioning that access to confidential background is subject to some restrictive conditions to safeguard the interests of the IP holder.
- In those cases where the contractor is owner or co-owner of **foreground**, it must provide F4E a royalty-free licence.

Moreover, if employees or personnel working for the contractor are entitled to claim rights on the foreground, the contractor must ensure that those rights are exercised in a way compatible with the contract and do not impede the rights of F4E.

3.2. Grants

Under grant agreements, the beneficiary must provide F4E access rights to:

- **Background** in the form of a licence, with the right to grant sub-licences and to use it for any purpose, under the following conditions:
 - Royalty-free, *i)* when the owner of the background is a national fusion research organisation of a member of F4E; *ii)* when the background has been generated or acquired under previous activities funded by Euratom
 - Fair and reasonable conditions¹¹ or royalty-free in any other case, specifically when the background has been generated outside Euratom-funded projects.

In the case of any limitation concerning the granting of access rights to background, the beneficiary should inform F4E without delay.

- **Foreground** in the form of a royalty-free licence, with the right to grant sub-licences and to use it for any purpose.

Furthermore, if employees of the beneficiary are entitled to claim IPR on the foreground, the beneficiary must ensure that those rights are exercised in a way compatible with the grant.

Additionally, F4E may grant to Euratom the necessary access rights to allow it to exercise its rights and obligations under the Euratom Treaty.

4. Foreground: Ownership, Protection, Use and Dissemination

4.1. Ownership

As far as ownership of foreground is concerned, it is worth noting that a new approach is being developed to make F4E's IP rules more attractive for contractors. F4E will start tailoring the ownership rules applicable to each contract in order for contractors to have increased possibilities to use the results. In some circumstances, contractors may even become owners of the results obtained under procurement. There will be, of course, some contracts where F4E will still retain full ownership of the results.

This change of policy does not affect grants rules whereby beneficiaries are and will remain the owners of the results, while F4E retains free access rights for use in fusion research.

¹¹ 'Fair and reasonable' means appropriate conditions taking into account the specific circumstances of the request for access, such as the value of the background.

4.1.1. Procurement

The foreground, protectable or not, resulting from the project (including when subcontracted) belongs to F4E. Nonetheless, another ownership rule can be settled on a case-by-case basis.

4.1.2. Grants

The foreground resulting from the project belongs to the beneficiary generating it.

Should a beneficiary wish to **transfer ownership of foreground**, it must also pass on its obligations therewith (e.g. access rights or confidentiality obligations) to the assignee. Nonetheless, in such a case, it may only do so after prior written consent of F4E, who may object if:

- it considers that this is not in accordance with F4E's tasks and activities;
- either the intended transfer is deemed not to be in accordance with the EC's interests, or if it is harmful for the defence interests and the implementation of the Euratom Treaty.

4.2. Protection

There is a general rule applicable to both procurement and grants establishing that, where participants intend to protect results (related to the subject matter of the contract) during a period of twenty-four months after the project completion, these results should be considered as foreground, unless the participant can demonstrate that it has been created outside the scope of the contract.

4.2.1. Procurement

When the invention created during the execution of the project is patentable, F4E has the right to file a patent application to obtain a patent under its own name or to transfer it to Euratom. Nevertheless, F4E may waive this right and let the contractor file a patent application to obtain a patent under its name and at its expenses. If this should be the case, F4E is always entitled to a royalty-free licence, including the right to grant sub-licences.

When ownership of the results is left in the hands of the contractor, the latter should file a patent application. If the contractor is not interested in filing such a patent, it should inform F4E so that it may assume the ownership of the respective foreground and possibly take measures regarding its protection and the granting of access rights.

4.2.2. Grants

When the foreground is capable of industrial or commercial application or has economic or strategic value for the Euratom fusion programme, the beneficiary must protect it with the most suitable IP protection tools (e.g. patents).

As for procurement, if the owner does not protect the foreground, does not transfer it to another beneficiary or decides to abandon the protected foreground, F4E should be informed so it may assume the ownership of the respective foreground and possibly take measures regarding its protection and the granting of access rights.

The costs incurred to protect the foreground will be shared between the beneficiary and F4E, proportionally to the financial contribution of F4E in the action, unless F4E owns the foreground. In this last scenario F4E will bear the full cost.

4.3. Use

"Use" means the direct or indirect utilisation of foreground in further research activities other than those covered by the project, or for developing, creating and marketing a product or process, or for creating and providing a service.

4.3.1. Procurement

When F4E is the owner, it may use, publish, assign or transfer the foreground as it sees fit, without geographical or other limitation.

Where the owner is the contractor, the latter may use foreground for its own needs following F4E permission, whose terms need to be agreed on. The purpose of granting permission is to allow the EU industry to have access to the knowledge and information that it participated in generating, in order to benefit from the work that they carry out and to reinforce its position and competitiveness.

4.3.2. Grants

Although beneficiaries owning foreground have the right to use it, such a use is subject to certain conditions. In the case of **nuclear applications**, the beneficiary may grant licences or sub-licences to:

- third parties established in the territories of F4E members, only after having informed F4E;
- third parties established outside the territories of F4E members, only after a written consent from F4E. However, before giving its consent, F4E will consult the European Commission, which can object to it within 45 days from the request.

The royalties from these licenses will be shared between F4E and the beneficiary proportionally to the contribution granted to the latter.

In the case of **non-nuclear applications**, the beneficiary must always inform F4E any time it intends to use its foreground, including the grant of licences, whether or not in the territories of F4E members.

Moreover, if foreground is used by F4E in further calls for proposal or tenders, the owner should provide the candidates with information thereof and necessary assistance on the terms and conditions agreed between the owner and the candidate.

4.4. Dissemination

Participants must ensure that foreground is published or made publicly available as quickly as possible. Nonetheless, appropriate procedures shall be established to guarantee the compatibility of dissemination activities with:

- the tasks and activities of F4E;
- the protection of Intellectual Property;
- confidentiality obligations;
- the defence interests of the member states.

The participant should inform F4E of its intention to disseminate foreground at least 45 days prior to the dissemination activity. F4E may then object within 30 days if it considers that its legitimate interests could suffer disproportionately great harm. In that case, the dissemination activity may not take place unless an agreement to safeguard these interests is reached between the parties. Different time limits can be

established in writing between the parties. Note that no dissemination activity may take place before the above procedure is completed.

Furthermore, any communication of foreground should mention support obtained from F4E and, when it is the case, from other third parties to carry out the project by adding a specific statement. It should also be taken into account that, in the case of any form of publication, Euratom does not allow for a transfer of copyright to the publisher.

5. Management of Intellectual Property

F4E and the participant must communicate to each other any information concerning IP which may impede the performance of the contract.

If the execution of the contract involves the use of IP belonging to a third party, the contractor must indemnify F4E for any infringing action, which may be brought against it, unless the use of such IP was imposed by F4E.

In case of any action (and in particular the lodging of a claim) undertaken by a third party, even after performance of the contract, the party implicated must notify the other party thereof so that both parties may act jointly and share all information and evidence they possess or obtain.

Useful Resources

For the preparation of this factsheet, the European IPR Helpdesk had in consideration the “Guide to Intellectual Property Rules for Euratom FP7 Projects”, as well as the F4E rules as provided in its contractual framework.

For further information on the topic please also see:

- The European Atomic Energy Community (Euratom): http://ec.europa.eu/energy/nuclear/euratom/euratom_en.htm
- FP7 Euratom: http://cordis.europa.eu/fp7/euratom/home_en.html
- Rules for participation in FP7 Euratom: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:400:0001:0059:EN:PDF>
- ITER project: <http://www.iter.org/>
- Fusion for Energy (F4E): <http://fusionforenergy.europa.eu/>
- F4E contracts framework: <http://fusionforenergy.europa.eu/procurementsgrants/>

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The European IPR Helpdesk aims at raising awareness of Intellectual Property (IP) and Intellectual Property Rights (IPR) by providing information, direct advice and training on IP and IPR matters to current and potential participants of EU funded projects focusing on RTD and CIP. In addition, the European IPR Helpdesk provides IP support to EU SMEs negotiating or concluding transnational partnership agreements, especially through the Enterprise Europe Network. All services provided are free of charge.

Helpline: The Helpline service answers your IP queries within three working days. Please contact us via registration on our website (www.iprhelpdesk.eu), phone or fax.

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