EARTO Paper on the Model Grant Agreement's IPR Provisions of the European Innovation Council under Horizon Europe

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EARTO Members are very active participants in EU RD&I Framework Programmes for the last decades. In our last analysis, EU grants to Research & Technology Organisations (RTOs) are relatively much larger than RTOs' share in the total number of FP participants. RTOs have a leading position and driving role in FPs' multi-disciplinary and collaborative projects. FP projects where RTOs are active have a larger participation from industry than projects without RTOs. In this context, EARTO members are involved in many instruments of the current Horizon Europe programme, including the European Innovation Council (EIC) in Pillar 3. We hereby would like to bring attention issues related to the new Horizon Europe MGA text on IPR provisions for EIC.

To recall, the **new Horizon Europe MGA text on IPR provisions for EIC** are:

> ***« for beneficiaries that are non-profit legal entities in EIC Pathfinder or EIC Transition actions: EIC Inventors are granted indefinite access rights for exploitation purposes under the following conditions:***
> ***- the access rights are granted on a royalty-free basis, unless the beneficiary provides support to the EIC inventor to exploit the results (in which case the royalties may be shared on mutually beneficial terms, provided this does not make the exploitation by the EIC inventor impossible)***
> ***- the EIC Inventor must inform the beneficiary in due time before any exploitation activity they intend to undertake, and report to the beneficiary on the implementation***
> ***- if the beneficiary considers that the exploitation activity could negatively affect its own exploitation activities (as set out in the plan for exploitation and dissemination), it may request the granting authority to suspend the EIC Inventor's access rights »***

Such IPR provisions are not compliant with our members' IPR policies in general by giving such extensive rights to inventors will have some serious negative side effects on the valorisation's efforts done by RTOs. For reference, other European Networks have already published on this issue and EARTO support their views: ASTP, LERU & The Guild. Indeed, there is an inconsistency in the EU policy which in one hand proposes this type of IPR conditions in the EIC and on the other hand recommends a reinforcement of the internal technology transfer offices (TTOs) of public or not for profit research organisations (RPOs, such as universities, RTOs, etc.). In addition, EARTO experts, among others, are currently supporting the European Commission in drafting new codes for good IP management and technology transfer by research performing organisation (i.e. and not by the inventors themselves as written within the EIC MGA IPR conditions) under the new European Research Action on valorisation that should serve as basis for further European Conclusions on valorisation in the months to come.

Both LERU & The Guild point out that for the universities, the new EIC MGA IPR provisions are equivalent to a disguised return of the Professor Privilege: roughly before 2000, in many European countries, including Germany, the university Professor was the owner of the patents of which he was the inventor. Since 2000, it is the university. The professor privilege no longer exists in Europe except to a certain extent in Sweden (where the legal situation is uncertain, however) and Italy. This was a major positive change that greatly improved universities' technology transfer capabilities in Europe.

In addition, EARTO experts see the following issues:

1. **The assumption that the inventor (scientist) is always the best person/entity to commercially exploit his/her invention is plainly wrong**. Experience shows that only a very limited number of scientists has the required skillset to exploit IP and/or is willing to do so. This is plainly visible in spin-off creation in Europe were:
   - Only a part of the involved inventors is prepared to join the spin-off and/or to invest in the company;
   - Usually the CEO is an experienced "serial" entrepreneur who knows how to deal with investors and knows how to scale up the start-up;

- When such rights are granted to the inventor, the inventor's employer may not want to bear the costs related to the filing and maintenance of the patents while the inventor in general does not have the means to cover those. This results in a situation where few patents are filed, weakening the valorisation potential of the project. Of course, the inventor can transfer ownership to a start-up. However, costs of filing and maintenance of the patents generally still are a concern for start-ups. In addition, good international practice in the creation of start-ups promotes that the employer of the inventor (like universities & RTOs) remains the owner in exchange for exploitation rights which may be exclusive in a field of application. This is also of the public interest since it allows the RPOs to create other start-ups based on the same patent in other fields of application. This also allows the RPOs to terminate the exclusive license in a field of application in the event of insufficient exploitation or absence of exploitation, or bankruptcy of the start-up. For investors in start-ups, an exclusive licence on a patent has the same value than the ownership of a patent. Such provisions, imposed by law in the USA since 1980, also explain the successes of the BAYH DOLE ACT and the STEVENSON ACT in the USA.

2. **Spreading the rights of exploitation of IP resulting from research over the involved scientific personnel would greatly diminish the role of dedicated TTO organisations with RPOs, that were created in the first place to foster the exploitation of research results and would be counterproductive**. Furthermore, imagine a situation where the invention does not have ONE inventor but a whole team of researchers, where each member of this team would then have exploitation rights, this would be an impossible situation to manage. The situation would be even more difficult to manage in the event of joint ownership between several project partners.

3. **The question of the sharing of royalties between the employer and the inventor is already settled in most Member States through national laws** (for PROs with civil servants employees) or recommendations (for not for profit research organisations where employees are not civil servants) with the classic IPRs conditions, where the TTO of the RPO takes charge of the valorization. This was also a recommendation of the Commission in 2008 on the management of intellectual property in knowledge transfer activities and Code of Practice by universities and other public research organisations. This sharing of royalties, associated with the fact that it is the TTO that supports the exploitation and valorisation actions, is indeed the best international practice. For example, this has been imposed by law in the USA since 1980 by the BAYH DOLE ACT for universities and the Stevenson Act for federal laboratories. It is partly these two provisions (TTO in charge of valorisation actions and inventors interested in particular in the sharing of royalties) which explain the very good successes in the creation of start-ups and more generally technology transfer activities in the USA. These laws have been unchanged for 40 years, proof of their success, which contrasts with the hesitations and U-turns of the European Commission on this subject.

4. **The EIC should use the examples of the IPR provisions from already well established and performing EU programmes supporting RPOs TTOs in the creation of start-ups managed by the EIB & the EIF** (i.e. with TTO in charge of valorization activities, and not individual inventors, and inventors interested in particular in the sharing of royalties). The implementation of the EIC new IPR provisions) can only hamper these good practices which are developing in Europe under the action of other EU institutions.

Moreover, such ill-thought IPR provisions will certainly slow down the process of implementing EIC projects: indeed, for each selected project, the internal TTOs of the PROs would have to, in addition to the set-up proper consortium agreement, either negotiate internally with their inventors the conditions for sharing IP rights between the employer and its inventor (a real administrative labyrinth), or start with the EC, project by project, the long negotiation to opt out of the default scheme by using the third bullet point: *"if the beneficiary considers that the exploitation activity could negatively affect its own exploitation activities (as set out in the plan for exploitation and dissemination), it may request the granting authority to suspend the EIC Inventor's access rights".*

In conclusion, the new EIC IPR conditions are not only counterproductive they are also not workable. EARTO strongly recommends that EC implements in the EIC the same IPR provisions as in the rest of Horizon Europe (traditional IPR provisions). EARTO and its Legal Experts remain ready to provide additional input on this topic and are available for further discussion with EU institutions to ensure a successful implementation of the EIC.

EARTO - European Association of Research and Technology Organisations
Founded in 1999, EARTO promotes Research and Technology Organisations and represents their interest in Europe. EARTO network counts over 350 RTOs in more than 20 countries. EARTO members represent 150.000 highly-skilled researchers and engineers managing a wide range of innovation infrastructures.

RTOs - Research and Technology Organisations
From the lab to your everyday life. RTOs innovate to improve your health and well-being, your safety and security, your mobility and connectivity. RTOs' technologies cover all scientific fields. Their work ranges from basic research to new products and services development. RTOs are non-profit organisations with public missions to support society. To do so, they closely cooperate with industries, large and small, as well as a wide array of public actors.

EARTO Working Group Legal Experts*: is composed of 25 corporate legal advisers working within our membership. Established in autumn 2013, this Working Group has also worked on the revision of the state aid rules & the GBER. Our experts also contributed to the setting-up of the DESCA Consortium Agreement model for Horizon 2020. More recently they were at the origin of the EARTO Paper on Open X, the EARTO Background Note on the US Federal Agencies Data Sharing Policies, and the EARTO Position Paper on the European Licencing Framework for Standard Essential Patents.*

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