

**All Right – Legal Support for scientists initiating collaboration**

## **Appendix 4: Common Types of Contracts**

### **Table of Contents**

1. Introduction	2
2. The Non-Disclosure Agreement (“NDA”)	2
3. Material Transfer Agreement (“MTA”)	3
4. Letter-of-intent (LOI) and other intermediate contracts	4
5. The Research and Development (R&D) Agreement and the Contract Research Agreement	5
6. Contracts with investors	7

**Swelife's All Right Legal Support is a set of documents to be used as tools when initiating collaboration. The aim is to stimulate and facilitate discussions and collaboration between potential partners and to act as a gateway to innovation support organisations.**

## 1. Introduction

A Swedish Law of 1949 in some cases and under certain conditions grants ownership of commercially exploitable inventions generated by employees to their employers. However, university-based teachers (which also may include researchers) are exempt from this law, and thus have the right to own and exploit their own research results. This exception by which teachers and researchers at universities have ownership rights to their own research results is referred to as “lärarundantaget”.

In case an academic researcher, covered by “lärarundantaget”, commercializes an invention, the researcher him/herself is contracting party. In case a researcher not covered by “lärarundantaget” commercializes within the frame of his/her employment, the employer normally shall be the contracting party. The researcher should then contact the head of department or equivalent. The university may decide to transfer the commercial rights to the invention to the researcher.

Academic researchers that have created IPRs with the intention to commercially exploit these are encouraged to contact the Innovation Office at his/her university for best available advice and support.

This section deals with common types of contracts that a researcher attempting to further develop/commercialise his/her research results will face.

## 2. The Non-Disclosure Agreement (“NDA”)

Among the first contracts that researchers come in contact with is the *Non-Disclosure Agreement*, the NDA, also called *Confidentiality Agreement*. The NDA is the basis for enabling the sharing and evaluation of confidential information. NDAs can be either mutual (i.e. covering both parties confidential information) or unilateral (i.e. only covering one party’s confidential information, one-sided). Which form to choose depends on the potential cooperation to discuss/evaluate - will both parties disclose confidential information or only one of them? If the NDA is unilateral (Appendix VI) it is important to ensure that the researcher’s information to be disclosed is covered by the NDA. The mutual template NDA (Appendix V) may be easier to have accepted by the counterparty than a one-sided NDA. However, it is important to keep in mind that both parties in such an agreement have the same obligations regarding how to treat the other party’s information, i.e. the risk of having to pay damages or liquidated damages is mutual. The characteristic provisions of an NDA are described below. The headings and structure can vary from contract to contract, but similar regulations will appear in most NDAs.

- i. Parties: Defines the parties who enter into the NDA.
- ii. Introduction: Describes the situation that has led to the planned sharing of information and the purpose for it. This is an important section because it sets the framework for interpretation of e.g. the agreed use of the confidential information, often defined as the “Purpose” for sharing and using information.
- iii. Confidentiality and Non-Use: This section contains the core of the contract. Here the confidential information is defined as well as the limitations for the receiving party’s use of the information.

iv. **Return of Confidential Information:** This section is not always included, but recommended, and states that when the agreement is terminated, or upon the disclosing party's request – all confidential information that has been handed over must be returned and/or deleted/destroyed.

v. **Intellectual Property Rights:** This section is usually included as an extra safeguard and states that the contract shall not imply any transfer of ownership or a license to any IPR.

vi. **Damages:** It is quite common to include provisions on liquidated damages in a NDA (a predefined amount payable at any breach of the contract) which is usually supplemented with regular damages if the liquidated damages do not suffice to cover the actual loss of the injured party. It can also mean a risk if the researcher is bound by the same obligation (i.e. if the confidentiality undertakings are mutual).

vii. **Term and Termination:** Sets the time limit for the contract, and the conditions for termination. Important to remember is to include provisions that the confidentiality commitments will supersede the termination of the contract.

viii. **Assignment:** Regulates if and how the parties are allowed to assign the contract to a third party. It is usually a good idea to deny the possibility of assignment without prior written consent.

ix. **Governing Law and Dispute Resolution:** These provisions define which national law is to be used to interpret the contract and what dispute resolution form to be used (court or arbitration). Larger companies often want disputes to be subject to arbitration. In contrast to open court, arbitration is secret and fast, but often more expensive. Two alternatives are given in attached template NDA.

### 3. Material Transfer Agreement (“MTA”)

A Material Transfer Agreement, an MTA (appendix VII), is an agreement regarding one party's provision of “materials” (and any derivatives thereof) for another party's use in non-commercial research. Thus, an MTA prohibits use of the material for production of products for sale.

Further, an MTA commonly contains provisions with the effect that:

- a) The material remains the property of the party providing it and the material may not be provided to any third party. Upon request, the material shall be returned to its owner.
- b) The owner of the material may be entitled to receive research results concerning the material, subject to a confidentiality undertaking.
- c) No express or implied IPR-licenses are provided to the recipient and the recipient may not apply for patents concerning the material. The material may not be modified.
- d) All information of confidential nature regarding the material shall be kept confidential and no results of research concerning the material may be published without the owner's review and consent.
- e) The regulations regarding “materials” may also include derivatives thereof.

## 4. Letter-of-intent (LOI) and other intermediate contracts

Directly following the initial evaluation of the confidential information and potential co-operation, the parties sometimes sign a *letter of intent* (LoI). The LoI may also be signed instead of an NDA, and in such case it should also contain confidentiality provisions corresponding to provisions of an NDA.

The LoI usually describes the process of the parties' continued negotiation regarding a final agreement and under which terms and conditions such negotiations will be pursued. The LoI may contain preliminary terms and conditions regarding the final agreement, however a LoI normally expressly states that it does not imply a binding undertaking to actually reach a final agreement. The LoI, however, normally also contains provisions that are binding.

Sometimes the LoI contains an exclusivity clause committing the parties not to simultaneously negotiate the same kind of co-operation with a third party.

Further, it occurs that the parties need to continue evaluating the potential of a co-operation beyond the boundaries of an NDA, but cannot commit to a long-term research and development contract. In these situations it occurs that parties agree upon a pre-study agreement, for example a *concept development agreement* in which the parties strive to achieve proof of concept, perhaps by developing a first prototype. These types of contracts may have many of the provisions described below under the Research and Development Agreement. The purpose will be well defined, and the contract will end when the goal is achieved pending a decision on whether to continue and deepen the co-operation in a research and development contract, or to go separate ways. It is equally important in such agreements to regulate confidentiality and the ownership of IPR.

A pre-study agreement may also be incorporated as a milestone in a complete research and development agreement; a milestone that must be achieved and approved, or otherwise the agreement as a whole will be terminated.

## 5. The Research and Development (R&D) Agreement and the Contract Research Agreement

After the evaluation phase, if the parties decide to co-operate around the further development/commercialisation of the innovation, the parties need to negotiate and formalise the terms of the co-operation in an agreement. A co-operation may end up in an R&D Agreement between commercial parties, or a Contract Research Agreement between a commercial party and a public authority. These agreements may have other names.

The R&D Agreement can, and will, look different depending on the nature of the innovation, the parties to the agreement, how the co-operation is structured etc. The following description should therefore be regarded only as an example on how such a contract may look like.

- **Parties:** The parties to the agreement.
- **Obligation of the sponsor:** The company giving the assignment to a research company, here called the “sponsor”, will often try to make this section as limited as possible. These provisions should include what the sponsor’s role will be in the R&D project, the commercialisation process, like contributing with continued R&D resources, money, paying for patent applications, marketing and sale efforts, manufacturing etc. There should also be an obligation for the sponsor to allow the investigator to audit the sponsor’s financial records to ensure that correct royalties are being paid (if applicable).
- **Obligation of the investigator:** These provisions will look very different depending on the nature of the co-operation. They stipulate the investigator’s role in the co-operation. The R&D Agreement normally contains a Research Plan, describing the research and development assignment undertaken by the investigator. The agreement may contain milestones for such work to be conducted, which may cause milestone payments to be made by the sponsor.
- **Intellectual Property:** The R&D Agreement may contain a combination of licenses and provisions for instance giving a first right of refusal or assigning IPR to the sponsor, or only one of those provisions. License provisions may cover already existing IPR held by the investigator, typically called background IPR, and IPR results under the agreement, typically called foreground IPR, which may either be licensed or assigned to the sponsor.
- **License:** Licenses may be exclusive, non-exclusive, world-wide and regionally and/or field limited, to develop, make, have made, use, import, export, market, sell, have sold etc. The license provisions should also state whether the licensed IPR may be sub-licensed, and under which circumstances.
- **Scope:** Many researchers will continue to conduct research outside the scope of the R&D Agreement. It is therefore also important to ensure that the study and results under the R&D Agreement are clearly defined and limited.
- **Royalties and Payments:** The investigator must be compensated for the actual costs of performing the contract research for example by fixed or hourly fees, and may, in addition, be compensated for the transfer of, or grant of license to the IPR for example, by compensation in a lump sum, or by royalty payments, or by a combination

thereof. Fixed payments are often made during the R&D project, upon certain dates or fulfilled milestones. Often royalties are not payable until the innovation is commercialised.

- **Patent Infringement:** If the sponsor owns the results of the contract research, or holds exclusive license rights, it would normally be the responsibility of the sponsor to handle any third party infringement of the IPR. The sponsor alone should pay for any lawsuits it wishes to initiate as a result of third party infringement.
- **Confidentiality:** Most contracts of this kind include provisions on confidentiality, which may replace and supersede any previous agreements between the parties regarding confidentiality (for instance an NDA).
- **Publication:** An important section for the investigator to include. Although research results may be assigned to the sponsor, the investigator may wish to publish results. This is normally solved by allowing the sponsor appropriate time to first investigate whether a patent could be applied for and to file such application, prior to the investigator's publication of research results.
- **Representations and Warranties:** Under such headings, the investigator typically will be requested to provide guarantees concerning the innovation, e.g. about the investigator having full ownership, non-infringement in third parties' rights as well as other conditions regarding the agreement. The investigator should try to avoid such provisions, for example provisions stating that the investigator guarantees that the licensed/assigned IPR does not infringe on any third party IPR.
- **Indemnification:** Indemnification means to keep the other party harmless. Such provision is used to make sure that one or both parties will not make any losses because of the actions (breach of contract and/or warranties) of the other party. The sponsor may often want to include such provisions in the context of there being something wrong with the innovation or the innovation infringing third party rights.
- **Limitation of Liability:** Obligations on limitation of liability is a way to neutralise too far-reaching indemnification as well as representations and warranties provisions. Such limitations can for example put a cap on damages owed because of a breach of contract. A reasonable cap for the investigator could be the total amount of payments (or royalties) received, preferably time limited, e.g. during the last year.
- **Assignment:** See our comments above regarding the corresponding clause as in the NDA, Section 1.1 viii. The sponsor should not be able to assign the contract to a third party, without written approval. The investigator will have chosen its partner for a reason.
- **Governing law and Dispute resolution:** See our comments above regarding the corresponding clause as in the NDA, Section 1.1 ix.

## 6. Contracts with investors

A common alternative to co-operating with a company through an R&D Agreement to finance the continued development and commercialisation of an invention is when a researcher sells a part of his or her company to owner investors. This will require a completely different set of agreements. The most important agreements are described in brief below.

### **The Share Purchase Agreement**

The Share Purchase agreement regulates the actual sale of shares, or issue of new shares including a capitalisation of the company.

### **The Shareholders' Agreement**

The Shareholders Agreement regulates the co-owners co-operation. It deals with how the company should be operated, the different shareholders' rights and responsibilities, the management of the company, ownership of shares, how and when shares can be sold, pricing of shares etc.

Lund 21 December 2015  
Advokatfirman Glimstedt i Lund AB