Recent changes in the German Law concerning employees’ inventions have prompted a search for new working models that will pave way for enhanced university-industry interactions. The paper discusses the two most popular agreements, namely, the Berlin Contract and the Munich Contract, used to ensure effective arrangements between the researcher, university and industry.

**Keywords:** German law, employees’ inventions, Berlin contract, Munich contract

Recent changes in the German law concerning employees’ inventions have prompted a search for new working models that will pave way for enhanced university-industry interactions. On 6 February 2003, after the end of a transition period of one year, a new version of Article 42 of the German law concerning employees’ inventions (hereafter, ‘the Law’) has come into force. This new Article 42 will apply to both ‘old’ and ‘new’ contracts concerning research interactions between industry and universities under German law. This has necessitated the investigation for model agreements, which will address issues related to the aforementioned Article 42 of the law.

With the termination of the professor’s privilege, researching employees of universities no longer have the right to transfer inventions directly to industry partners, as was done in past agreements. Prior to the amendment in the German law, a professor conducting research in collaboration with an industry or doing research in the university with funds from industrial partners was allowed to directly transfer the rights of patentable inventions to the industry. However, under the new law researchers are required to first notify the university of the invention. Thereafter, the university can acquire (unrestrictedly claim, according to the Law) the invention and then transfer the invention to industry. A direct transfer of patentable inventions from professors and researchers to industry is no longer possible.

However a professor/researcher reserves the right not to publish a research result and under such circumstances is not obligated to notify the invention to the university. It is therefore not possible for the university to guarantee its industry partners that all inventions resulting from the university system will be made available to the industry. Only by a formal contract between the professor/researcher and the industry partner, can the professor/researcher effectively renounce his/her right not to publish. Also, by such an agreement the professor/researcher can undertake to notify all further inventions to the university. Further because of the freedom of research and teaching, a researcher/professor, i.e. inventor, cannot be forced/instructed by university to offer consultancy services and particularly, unprotected inventions and innovations to an industry partner, since Article 42 only deals with patentable inventions.

Under German law, the professors/researchers at universities may file patent applications in foreign countries even if the employer i.e. the university or the collaborating industry partner does not wish to file the patent application. The right of the professor/researcher to file patent applications in foreign countries not chosen by the employer can only be given up, effectively, by the professor/researcher in a separate agreement between researcher/professor and industry. It is therefore advisable to conclude agreements that are trilateral between researcher/professor, university, and industry.

In this regard, particular attention must also be given to the rights of the non-employees working at universities, such as, students, in order to make sure that such participants in research projects also transfer their rights to their inventions under defined conditions directly or indirectly to an industry partner.

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Such agreements, of course, must also contain the appropriate confidentiality clauses because of trade secrets, etc.

Keeping such requirements in mind, a variety of model agreements have been proposed, the details of which can be found in comparative guidelines. In this article, two agreements, namely, the ‘Berlin Contract’ and the ‘Munich Contract’, that are arguably most often used, are elaborated. Other agreements, like the Marburg Contract, the Max-Planck-Contract, and the NRW-Contract are used to a lesser extent.

**Berlin Contract**

Initiated by IPAL Gesellschaft für Patentverwertung Berlin mbH, the central technology transfer institution for the majority of the Berlin universities, a working group was constituted which has been responsible for the implementation of the aforementioned contract components of the Berlin Contract.

**Structure and Organization**

The contract consists of a preface dealing with the genesis and the proposed practical application of the Berlin Contract, followed by a brief introduction, to explain how the components of the Contract are to be handled. This is then followed by differentiation indicia for the components of the Contract to facilitate assigning a specific joint research project between a university and industry to one of the categories of a contract for work and services, research commission or co-operation on research. These differentiation indicia are not alternatives, nor should they apply cumulatively, but, as the very name suggests, they are merely intended to provide the practitioner with pointers to help him make the appropriate assignment. After the list of ‘differentiation indicia’ components for research commissions between universities and industry, followed by appropriate Contract components for co-operation on research and development, which is referred to in the following as ‘research co-operation’ are described.

**Pointers helping to Differentiate Between Contracts for Work and Services, Research Commissions, Research Collaborations**

**Contracts for Work and Services**

If an industrial partner commissions a university to carry out specific research work, with an unambiguous, known objective and lays down a defined way to performing that work, the university will generally be compensated for the entire costs of the project. The researcher in the university, generally the ‘project director’ responsible, is then not required to interpret data or the results in any way and neither the university nor the industrial partner has any interest whatsoever in publication. The result of a contract for work and services of this kind is an obligation owed by the university to the industrial partner. In this case, according to the Berlin Contract, all the results of the research, including any inventions that might be made by the university, i.e. by the research worker or by any other member of the university, belong to the industrial partner without any additional remuneration due, with the industrial partner being totally responsible for decisions related to filing of applications for any industrial property rights, to engage in exploitation actions, etc. It goes without saying that any application for industrial property rights will be filed by the industrial partner exclusively, without any right whatsoever on the part of the participating university.

**Research Commissions**

In the context of research commissions, the industrial partner places a targeted commission with the university to carry out certain research work with defined ways of performing the work the results of which could be open-ended. In such a case too, the university will be compensated the entire cost of the project. However, the responsibility of interpreting the data or results lies with the research worker in the university. The industrial partner, having commissioned the work will as a rule be interested in receiving the results at short notice or at least on schedule. The university, or the research workers, on their part have an interest in seeing the results published. In this case, the university does not own any of the successful results of the project.

The parties involved in drawing up the Berlin Contract are unanimous in their opinion that, when research commissions are organized in this way, the university has a fundamental right to remuneration for any invention. The rights in the inventions concerned, including the right to file the first application and to carry out subsequent applications in other countries, also need to be settled in detail between the university and the industrial partner.

**Research Cooperation**

In the case of research cooperation, the industrial partner commissions research to the university in
which the objectives and results are open-ended. The approach and implementation is not defined in detail, and the intended practical application is neither known nor defined in definitive terms. The collaborating partners i.e. the university and the industrial partner, contribute to the research project by providing personnel and/or assuming a share of the costs. The industrial partner, having commissioned the research, has a medium to long-term interest in its outcome, and both partners have significant and possibly a joint - interest in publishing the results. In such a case, the university is not solely responsible for the success of the project.

The parties involved in drawing up the Berlin Contract are unanimous in their opinion that, in the case of research co-operation, the industrial partner has to separately remunerate the university for any invention, the details of which need to be agreed upon based on the facts of the matter.

**Features Common to Research Commissions and Research Cooperation**

A common feature of the contractual arrangements both in the case of research commissions and with regard to research cooperation necessarily requires a ‘trilateral’ contract between the university, the industrial partner and the research worker.

It is based on the peremptory provisions of the law on employees’ inventions in which only a contractual agreement between the university and the industrial partner can regulate the rights and obligations in relation to inventions, which are covered, by patents or utility models. Any additional know-how and advisory services which the industrial partner wishes to receive in person from a specific research worker who is particularly important as a collaborating partner (e.g. a professor) can only be reliably obtained by the industrial partner on the basis of an appropriate contractual agreement with the research worker and itself, as an indirect route via the university can affect the research worker’s personal rights with regard to research and teaching, which are guaranteed by the constitution.

A direct agreement between the research worker and the industrial partner is also needed if the research worker is to waive his negative publication rights. The same applies to any advance waiver of the research worker’s right to take over any applications for industrial property rights or the industrial property rights themselves and to file applications in other countries.

For the reasons explained above, the members of the working party considered it appropriate, both in the case of research commissions and with regard to research collaborations, to conclude a ‘tripartite agreement’ between the university, the industrial partner and the research worker. ‘Research worker’ here is understood to mean the project director responsible who has been appointed by the university and the industrial partner. If other members of the university such as students or university staff (employees), are involved in carrying out the work on the research project, appropriate declaration of association have to be made in advance, so that the obligations of the project director also apply, *mutatis mutandis*, to that group of individuals involved in the project.

**Contract Components for Research Commissions**

According to the model contract, research results arising from a research commission belong exclusively to the industrial partner, irrespective of the extent to which the research worker or other ‘associated’ member(s) of the university is/are involved in the production of the corresponding research results, especially inventions.

With regard to the filing of any applications for industrial property rights, referred to in the following as ‘patent applications’, it is envisaged that the first application is filed either by the university or by the industrial partner as formally agreed in advance but always as joint applications on behalf of the university and the industrial partner. This arrangement of a joint filing is intended to satisfy the universities’ interests in appearing in the relevant ranking lists with a corresponding number of first applications. It is being increasingly recognised that ranking positions are becoming important in assessing the performance and the general reputation of universities and international benchmarks.

However, it is a prerogative of the industrial partner to decide whether to file foreign applications in the case of research results based on research commissions. In case of a decision to file foreign applications, the industrial partner files such foreign applications solely in its name.

The arrangement regarding remuneration in the case of research commissions has the following structure according to the Berlin Contract:

- After the first application has been filed, the industrial partner pays the university a first remuneration amounting to € 2,500.00. This is
then followed by remuneration payments according to the following alternatives:

(a) € 2,500.00 at the beginning of exploitation, this remuneration rising to € 10,000.00 if exploitation begins more than 7 years after the first application; the industrial partner may, however, redeem the obligation to pay the increased lump sum by paying a further remuneration of € 2,500.00 before the expiry of the above-mentioned 7-year period.

(b) When certain turnover thresholds are reached, further lump-sum payments are made, though it is necessary to lay down the details on this in the contract.

(c) After exploitation has begun, an appropriate remuneration is paid, depending on the degree of exploitation, which is subject to later negotiation.

Research Collaboration
The research results arising from research collaborations are in principle divided into results achieved by the industrial partner, joint results and university results.

Results achieved by the industrial partner are research results attributable solely to the industrial partner’s staff. Joint results mean research results in which the university’s, or the university staff’s, share of the invention is no more than 50 %. University results are research results, in which the university’s share of the invention is more than 50 %.

Industrial Partner’s Results
Research results, which fall into the category of ‘industrial partner’s results’, belong exclusively to the industrial partner. The latter has the sole right to file applications for industrial property rights, exclusively in its own name where appropriate and the industrial partner has no obligation towards the university to pay any remuneration.

Joint Results
In the case of joint results where the university’s share of the invention is no more than 25 %, the industrial partner has the right to file the first application exclusively in its own name.

If the university’s share of the invention is more than 25 %, the arrangement corresponds to the one for research results based on research commissions, i.e. the first application is filed as a joint application either by the industrial partner or by the university, in the names of the university and the industrial partner.

In the case of joint results, foreign applications are filed in accordance with the arrangements regarding research commissions as mentioned earlier, i.e. by the industrial partner exclusively in its own name.

In the case of joint results the remuneration to be paid to the university by the industrial partner is as follows:

- If the university’s share of the invention is less than 50 %, the remuneration for the invention is paid in the same way as with research commissions.
- If the university’s share of the invention is 50 %, the industrial partner pays the university remuneration for the invention as in the case of the university results, discussed later, but after deducting 10 % from the remuneration agreed for university results.

University Results
Research results emanating from research collaborations, in which the university’s share of the invention is more than 50 %, belong exclusively to the university. The industrial partner does, however, have an option on taking an exclusive licence on reasonable terms. The remuneration to the invention may comprise one or more lump-sum payments or a reasonable licence fee. The members of the working party regarded the sample calculations annexed to the Berlin Contract as being appropriate for the standard situations.

In the case of university results, the university has the right to file the first application exclusively in its own name. However on payment of an agreed remuneration by the industrial partner the university assigns the rights in favour of the industrial partner.

Present Practice under the Berlin Contract
The Berlin Contract presently is used widely. Often in case of research on commission, university is paid individual compensations per invention by the industrial partner by way of lump sum payments. However, in collaborative projects, terms of remunerations are based on forecast projection of the number of inventions to be expected, and then apportioning them to individual inventions. Thus a certain percentage of the total payment of the industry partner to the university in certain types of research on commission is reserved as compensation for future inventions (say 10 %), and based on that component professors/researchers are entitled to their remuneration by law, which would be 30 % of the
gross income of universities out of the earnings of such inventions.

It may be noted as a caution that collaborative projects in which no remuneration for inventions is specifically defined, could become a subject matter for the courts in Germany to decide based on fictive invention compensation percentages and amounts, respectively, contained in total project funds paid by industry to universities. These would raise a lot of legal uncertainties. According to the author, a pure renunciation of any remuneration for inventions given by universities to industries in such projects would be unlawful, in view of the clear provision of Article 42 of the Law giving 30% of the gross income of the university to the professor - which has to be understood as an indemnification for the loss of the professors’ privilege.

### Munich Contract

The Munich Contract is not a trilateral agreement and in contrast to the Berlin Contract, it is concluded only between the university and the industry collaborating partner. Accordingly, when a Munich Contract is to be used it is highly advisable that a separate agreement between professor/researcher and industry is made in order to avoid the existing risks.

The Munich Contract does not differentiate between service contract work, research on commission, and research collaboration as the Berlin Contract does. According to the Munich Contract ‘everything’ is considered as contract research, though the rights of the parties arising out of collaboration are differentiated in manner as if they all would result from research collaboration.

In general, patentable results are patented by university, according to the Munich Contract, and the industry partner will get various kind of license rights, depending on its contribution and interest, which are to be all individually negotiated.

### Conclusion

According to the ‘Guidelines’

1. the Berlin Contract, at this point of time, appears to be the most comprehensive solution taking care of the various aspects of interactions between industry and universities in Germany. This is particularly due to its ‘module’ character which allows to take into consideration various types and variations in cooperation between industry and universities.

The future course of the guidelines based on Article 42 particularly in view of the loss of the former professors privilege will also depend on court decisions and evolving practices in the area of university-industry collaborations.

### References