

**HEALTH INNOVATION CHALLENGE FUND: INTELLECTUAL PROPERTY, EXPLOITATION
CONSENT AND REVENUE/EQUITY-SHARING AGREEMENT**

This Agreement is made between the Parties whose details are set out below on [date]:

A.	TRUST
Name:	THE WELLCOME TRUST LIMITED , a company registered in England & Wales as Trustee of the Wellcome Trust, a charity registered in England under no. 210183 (the "Trust")
Company no:	2711000
Address:	Innovations Division, The Wellcome Trust, 215 Euston Road, London, NW1 2BE
Contact:	The Operations Manager, Innovations Division, the Wellcome Trust
Tel:	+44 (0)20 7611 8202
E-mail:	innovations@wellcome.ac.uk
B.	DEPARTMENT
Name:	THE SECRETARY OF STATE FOR HEALTH acting through the DEPARTMENT OF HEALTH (the "Department")
Address:	Central Commissioning Facility, Grange House, 15 Church Street, Twickenham, TW1 3NL
Contact:	Assistant Director, Health Innovation Challenge Fund
Tel:	+44 (0)20 8843 8000
E-mail:	hicfundenquiries@hicfund.org.uk
C.	ORGANISATION
Name:	
Address:	[address]
Contact:	[contact]
Tel:	[telephone]
E-mail:	[email]
D.	TECHNOLOGY TRANSFER GROUP (if applicable)
Name:	
Company no:	
Address:	[address]
Contact:	[contact]
Tel:	[telephone]
E-mail:	[email]

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THE PARTIES HEREBY AGREE as follows:**1. DEFINITIONS**

- 1.1 **Award** means the award provided to the Organisation by the Funders.
- 1.2 **Cumulative Income** means total Net Income received by the Exploiting Party as a result of exploitation of the Project IP.
- 1.3 **Direct Costs** means all reasonable patent and legal costs and other expenses that are incurred directly in connection with exploitation of the Project IP, including official patent filing, prosecution, maintenance and renewal fees;
- 1.4 **Equity** means the issuing of equity or any other interest (whether by way of debenture, warrant, security or otherwise) from time to time in any company in consideration of the assignment of, or grant of a licence to or an option in respect of any Project IP.
- 1.5 **Exploiting Party** means whichever of the Organisation or Technology Transfer Group (if there is one) named above as is or will be responsible for technology transfer and commercialisation matters with respect to the Project IP for and on behalf of the Organisation. For these purposes, **exploitation** includes but is not limited to commercialisation by way of licence, assignment, option, sale of goods or services, hire or lease, research collaboration or other agreement, or for cash or equity consideration.
- 1.6 **Funders** means the Department of Health and the Wellcome Trust Limited as trustee of the Wellcome Trust.
- 1.7 **Funding Agreement** means the not-for-profit funding agreement entered into on [insert date] between the Organisation and the Funders in relation to the Award;
- 1.8 **Grant Conditions** means the Grant Conditions for the Health Innovation Challenge Fund programme, as may be amended from time to time, , a current copy of which is available at www.hicfund.org.
- 1.9 **Gross Income** means all cash sums or other monetary consideration actually received in respect of exploitation of the Project IP, including licence, signing and option fees, royalties, and milestones, but excludes any Equity or other interests (whether by way of debenture, warrant, security or otherwise) or monies paid specifically to fund the undertaking of a research programme. Where commercialisation takes place (i) other than in an arm's length transaction at market rates, the Gross Income shall be deemed to be the income which would have been obtained under this Agreement, had such Project IP been exploited on an independent at arm's length basis.
- 1.10 **Indirect Costs** means any non-specific costs charged across all projects including non-Award funded projects based on estimates that are not included as Direct Costs. They include the costs of the Organisation's administration such as personnel, finance, library and some departmental services.
- 1.11 **Intellectual Property** (or **IP**) means (a) patents, designs, trade marks and trade names (whether registered or unregistered), copyright and related rights, database rights, Know-How and confidential information, (b) all other intellectual property rights, in each case whether registered or unregistered and similar or equivalent rights anywhere in the world which currently exist or are recognised in the future; and (c) all applications, renewals or extensions (including supplementary protection certificates) in relation to any such rights.
- 1.12 **Net Income** means Gross Income less (a) Direct Costs, and (b) any applicable taxes on Gross Income and Direct Costs.

- 1.13 **'Other Parties'** means the Parties which are not the Exploiting Party.
- 1.14 **'Participation Round'** means a company's equity financing following the date of this Agreement, where a company is or has been established by the Exploiting Party or otherwise used as a vehicle to exploit the Project IP or any part of it.
- 1.15 **'Parties'** means the parties to this Agreement and **'Party'** shall be interpreted accordingly;
- 1.16 **'Project Intellectual Property'** means any Intellectual Property created, devised or arising out of the Organisation's undertaking and performance of the Project or any part of it;
- 1.17 **'Technology Transfer Fee'** means the percentage of Net Income which the Exploiting Party is entitled to for its exploitation of the Project IP.
- 1.18 **'Technology Transfer Group'** means a body which is responsible for providing technology transfer services to the Organisation and which has been approved by the Funders to carry out exploitation activities with respect to the Project IP, details of which are set out above.
- 1.19 **'Trust'** means The Wellcome Trust Limited as trustee of the Wellcome Trust, a charity registered in England with number 210183, details of which are set out above.
- 1.20 The Schedules form an integral part of this Agreement and have effect as if set out in full in the body of this Agreement. A reference to this Agreement includes the Schedules.
- 1.21 Capitalised terms in this Agreement shall be interpreted in accordance with the definitions as set out in the Funding Agreement or above. Where a capitalised term is defined in both this Agreement and the Funding Agreement, the definition in this Agreement shall apply.

2. **CONSENT TO EXPLOIT PROJECT IP**

- 2.1 In consideration for entering into the terms of this Agreement and pursuant to the Grant Conditions, the Funders consent to the exploitation of the Project IP in accordance with the details set out in the Schedules to this Agreement.

3. **REVENUE SHARING**

- 3.1 In consideration for consent being granted pursuant to Clause 2 above, the Exploiting Party shall share Gross Income and Equity received in respect of Project IP as set out in this Clause 3.
- 3.2 The Exploiting Party shall first determine if:
- a) the Award (together with any other funding provided by the Funders) is the sole source of funding for the Project IP, in which case Clauses 3.3 and 3.4 shall apply to the total Gross Income or Equity received in respect of that Project IP, or
 - b) the Award (together with any other funding provided by the Funders) is not the sole source of funding for the Project IP, in which case the Gross Income or Equity received in respect of that Project IP shall be pro-rata calculated to take into account:
 - i) the inventive contribution of the inventors; followed by
 - ii) the proportionate funding contributions of the Funders, the Organisation and other third party funders of each inventor as appropriate (such funding contribution to exclude any salary support provided by the Organisation from its internal funding, overhead or other Indirect Costs including for the avoidance of doubt the Higher Education Funding Council (HEFCE, SHEFC or HEFCW) funding);

and the revenue-sharing formulae set out in Clauses 3.3 and 3.4 shall then apply to the portions of Gross Income or Equity attributed to the Funders contribution pursuant to this Clause 3.2(b).

Income Sharing:

3.3 Where income is received then the Exploiting Party shall in respect of each item of Project IP that is exploited:

- a) receive and account for Gross Income due;
- b) deduct and reimburse as appropriate any and all Direct Costs;
- c) be entitled to receive a Technology Transfer Fee on Net Income received (determined by reference to Cumulative Income) as follows:

Cumulative Income	Technology Transfer Fee
£0 – £100,000	30% (thirty per cent)
£100,001 – £500,000	25% (twenty-five per cent)
≥ £500,001	20% (twenty per cent)

- d) distribute remaining Net Income received in the following revenue shares (determined by reference to Cumulative Income) as follows:

Cumulative Income	Organisation and Technology Transfer Group	Funders
£0 – £100,000	65% (sixty-five per cent)	35% (thirty-five per cent)
≥ £100,001	60% (sixty per cent)	40% (forty per cent)

Equity sharing and potential future investment

3.4 The taking of an Equity share is an option for the Funders but is not compulsory, in some circumstances the Funders may prefer to take all benefits as income. Where Equity or rights to take Equity are received then the Exploiting Party shall in respect of each item of Project IP that is exploited:

- a) share any Equity received in the following proportions;

Organisation and Technology Transfer Group	Funders
60% (sixty per cent)	40% (forty per cent)

- b) use all reasonable endeavours to ensure that the Equity is issued on terms whereby:
 - i) the proportionate shareholdings due to the Parties are issued direct to them;
 - ii) each of the Funders is given no less than two months' written notice prior to completion of a Participation Round, and is provided with copies of the business plan, signed or proposed term sheet, and any other relevant documentation that is being provided to the other investors;

- iii) at the Participation Round, each of the Funders is entitled (but not obliged) to invest in the company at the same rate as the other investors.
- 3.5 For the avoidance of doubt, each Funder's share of any Net Income or Equity shall be allocated to that Funder prior to the deduction of any reward to the Organisation's employees or students who are inventors of the Project IP (whether pursuant to Section 40 of the Patents Act 1977 or the Organisation's own policies or any other cause). The Organisation shall be solely responsible for the payment of such reward (in accordance with its internal policies) out of the revenue and equity share to which it is entitled under Clauses 3.3 and 3.4.
- 3.6 Notwithstanding the terms of Clause 3, the Organisation and its Technology Transfer Group shall be free to agree how to share between themselves any Technology Transfer Fees, or shares of Net Income and/or Equity due to either or both of them under this Agreement.
- 3.7 Any shares of Net Income and/or Equity due to the Funders under this Agreement shall be shared equally between the Funders.

Direct Costs

- 3.8 As at the date of this Agreement, the Parties acknowledge and agree that:

- a) to date each of the Parties may have paid Direct Costs; and

each of the Parties expect to pay further Direct Costs (both prior to and after any Gross Income being received).

- 3.9 Each Party shall aggregate its Direct Costs for each calendar year starting from the first calendar year in which Direct Costs were paid by that Party; each calendar year is herein referred to as a "**Direct Cost Year**".
- 3.10 The Parties agree that when Gross Income is received and the Direct Costs are to be recovered, in the event that the Gross Income is not sufficient to cover all the Direct Costs, the following provisions shall apply:
- a) The Direct Costs (as aggregated into calendar years) shall be recovered in chronological order, starting with the earliest Direct Cost Year;
 - b) Any excess Direct Costs of the Parties shall be carried forward and recovered in chronological order in subsequent calendar years when further Gross Income is received until such time as such excess Direct Costs have been fully recovered; and
 - c) Where the Gross Income in an calendar year is less than the Direct Costs of both Parties for a whole Direct Cost Year:
 - i) the amount of Direct Costs recoverable by each Party shall be pro-rata to the Direct Costs incurred by each Party in the relevant Direct Cost Year;
 - ii) the excess Direct Costs of the Parties in such Direct Cost Year shall be carried forward and prioritised for recovery in subsequent calendar years when further Gross Income is received until such time as such excess Direct Costs from the relevant Direct Cost Year have been fully recovered; and
 - iii) once such excess Direct Costs from the relevant Direct Cost Year have been fully recovered, Direct Costs from subsequent Direct Cost Years may be chronologically recovered in accordance with this Clause [3.10].

- 3.11 For the avoidance of doubt, the Organisation shall be liable to the Funders for any share of costs incurred by the Funders that is attributable to a transfer of the Organisation's shareholding to any of the Founders or other Organisation Staff.

4. ACCOUNTING, REPORTING AND PAYMENTS

- 4.1 Within three (3) months following each anniversary of the date of this Agreement, and within three (3) months of the date of expiry or termination of this Agreement, the Exploiting Party shall provide to the Other Parties a statement or statements setting out financial information for the preceding 12-month period ending on such annual accounting date in respect of each item of Project IP exploited or commercialised, including Gross Income, Net Income, Cumulative Income, Direct Costs, Technology Transfer Fee(s), Equity, revenue shares and taxes. All such statements shall include a breakdown of the calculations on which the amounts involved were determined. The Exploiting Party shall send with such statements the appropriate payments, if any, required in respect of such statements. The Funders shall have the right to request and the Exploiting Party shall have the obligation to supply information as the Funders see fit. The Exploiting Party shall also copy to the Funders any reports prepared by or on behalf of the Technology Transfer Group in relation to (i) the commercialisation of the Project IP or (ii) any results of the Project.
- 4.2 The Exploiting Party shall keep, and shall require permitted subcontractors to keep, such records as are necessary to determine accurately payments due to the Funders under this Agreement. At the request of the Funders, with reasonable advance notice, the Exploiting Party shall make such records available for inspection, review, audit and copying by the Funders or their designated representative and/or the National Audit Office or audit Commission. If a discrepancy is identified with respect to any payment, then the Exploiting Party shall pay the Funders the amount of such discrepancy within thirty (30) days after receiving notice thereof. The Funders may pay for any of their audits conducted pursuant to this Clause 4.2, unless the audit reveals that the Exploiting Party has underpaid more than five percent (5%) greater than the actual amount owed in any circumstance, in which case the Exploiting Party shall pay for such audit. Late payments shall be subject to interest payable on demand at the rate of four per cent (4%) above the then current Bank of England base rate. Interest shall be calculated daily and compounded quarterly from the due date to the actual date of payment inclusive.
- 4.3 All payments shall be made in pounds sterling unless otherwise agreed, and shall be exclusive of any taxes or duties that may be imposed, including value added tax which shall, where applicable, be payable in addition at the rate in force at the due time for payment. With respect to Gross Income invoiced in a currency other than pounds sterling, the income payable shall be expressed in pounds sterling equivalent calculated using the fixing rates for pounds sterling published by European Central Bank (ECB) on the last business day of the calendar quarter to which the royalty report relates. In case the ECB does not provide a fixing for one of the currencies involved, the respective rate published by the Financial Times of the same day shall be applied.
- 4.4 The Organisation shall be free to agree accounting, reporting and payment practices with its Technology Transfer Group in respect of the revenue shares due to them under this Agreement.
- 4.5 If the Funders take over responsibility as Exploiting Party in accordance with the Funding Agreement and the Grant Conditions, then references to Exploiting Party herein shall be construed as references to the Funders, and the Funders shall share any Gross Income or Equity received in accordance with Clause 3 of this Agreement.

5. MONITORING PROJECT IP

- 5.1 With respect to the Project IP, the Exploiting Party must:

- a) unless otherwise scheduled to this Agreement at Schedule 2, provide to the Other Parties as and when they arise:
 - i) copies of any signed agreements entered into; and
 - ii) details of any applications for any registered Intellectual Property, and any grants and abandonments (including title, filing number and date) of such;
 - b) develop, market, exploit and support the Project IP in a diligent and active manner, using appropriately qualified, trained and incentivised staff and use all reasonable endeavours to promote the exploitation of the Project IP in territories where it is likely to be commercially viable;
 - c) deliver at least annually an exploitation report detailing the commercialization activities for that year to the Other Parties; and
 - d) arrange and hold update meetings at least once every six (6) months, or at such other intervals as may be otherwise agreed with the Other Parties.
- 5.2 If the Exploiting Party elects to discontinue the prosecution or maintenance of any Project IP (or chooses not to register any Project IP which may be protectable as a registered Intellectual Property right) then it shall so advise the Funders in writing at least three (3) months in advance of discontinuing such prosecution or maintenance (or making the decision not to register) and the Funders shall have the right, but not the obligation, to continue such prosecution or maintenance or apply for registration at the Funders' cost, and have such Intellectual Property right assigned to it free of charge.
- 5.3 The Party/ies receiving information about exploitation activities from the Exploiting Party pursuant to this Agreement or otherwise shall keep such information confidential. For these purposes, 'information' includes but is not limited to any data, results, inventions, intended publications, intended or pending applications for Intellectual Property, designs, plans, agreements, commercial and/or financial information, whether disclosed in writing or orally. However, 'information' does not include information which is already in the public domain, which is otherwise lawfully known to the receiving Party at the time of disclosure, is obtained lawfully from a third party or independently developed by the receiving Party, or which is required to be disclosed in order to comply with a legal requirement.
- 5.4 Where disclosure of information is required under the Freedom of Information Act 2000 from a Party designated as a public authority under the Act and such information relates to another Party, the Organisation shall notify that Party within five (5) business days of receiving an information request that such a request has been made and the details thereof. The Organisation shall allow five (5) business days to consult with and, to the extent permitted by law, take into account any representations made by the Party concerned before such information is disclosed to the requestor and shall on request provide an update of the status of the Organisation's response and the information which it is intending to disclose.
- 5.5 The Parties acknowledge that the information contained or listed in Schedule 3 to this Agreement is information which the Parties reasonably consider may be exempt from disclosure under the Freedom of Information Act 2000 on the basis that it is confidential and/or commercially sensitive information, which if disclosed without the prior consent of the Party to which the information relates, would, or would be likely to prejudice the commercial interests of that Party.

6. DISPUTE RESOLUTION

- 6.1 If any dispute arises out of or in connection with this Agreement then any Party may give a notice that a dispute exists (a "**Dispute Notice**") to the other Parties and if the Parties have not resolved the dispute within seven days of the date of the Dispute Notice, the Parties shall escalate this dispute to the [Chief Executive Officer] of the Organisation, [the Chief Executive Officer (or equivalent) of the Technology Transfer Group], the Director of the Wellcome Trust

and the Director General of Research and Development of the Department of Health (the "**Executive Officers**") and the respective Executive Officers shall endeavour to resolve the dispute as soon as is reasonably practicable but in any case by fourteen days of the date at which the dispute is escalated to them.

- 6.2 If the Executive Officers of the Parties are not able to resolve a dispute referred to them pursuant to Clause 6.1, the Parties will, at the request of either of them, attempt in good faith to resolve the dispute through an agreed Alternative Dispute Resolution ("**ADR**") procedure.
- 6.3 If the matter has not been resolved by an agreed ADR procedure within one month of the initiation of such procedure, any Party may bring proceedings in accordance with Clause 7.12. For the avoidance of doubt, any Party may apply to the court for an injunction whether or not any issue has been escalated under Clause 6..
- 6.4 No Party may initiate any legal action until the dispute resolution process outlined above has been completed, unless such Party has reasonable cause to do so to avoid damage to its operation (including infringement or threatened infringement of confidential information or Intellectual Property) or to protect or preserve any right of action it may have, in which case the provisions of this Clause 6 shall not prevent a Party from seeking such interim injunctive relief.

7. **GENERAL**

- 7.1 The Organisation shall be responsible for ensuring that the Exploiting Party complies with this Agreement where the Exploiting Party is its Technology Transfer Group.
- 7.2 This Agreement shall take effect from whichever is the earlier of the date of last signature of this Agreement or the date that exploitation takes place, and shall terminate on whichever is the later of the expiry of any patent or any supplementary protection certificate issued in respect of the Project IP or when all revenues due in respect of exploitation of the Project IP have been distributed to the Parties in accordance with the provisions herein. Alternatively this Agreement shall be terminable by mutual agreement of all the Parties.
- 7.3 This Agreement is in addition to the Grant Conditions (as may be amended from time to time), which continue to apply. Should there be any conflict between this Agreement and the Grant Conditions, then this Agreement shall prevail.
- 7.4 Nothing in this Agreement shall give rise to any partnership or the relationship of principal and agent between the Funders and either of the Organisation or the Technology Transfer Group.
- 7.5 Any notice to be given pursuant to this Agreement shall be in writing in the English language and shall be delivered by overnight courier, by registered, recorded delivery or certified mail (postage prepaid) or by facsimile confirmed by registered, recorded delivery or certified mail (postage prepaid), or delivered personally to the address or facsimile number of the recipient Party set out below or such other address or facsimile number as a Party may from time to time designate by written notice to the other Parties. The Parties agree that email is not a valid method of giving notice under this Agreement.

Address of Organisation

[address]

Fax No: [number]

For the attention of: [name]

[Address of Organisation's Technology Transfer Group]

[address]

Fax No: [number]

For the attention of: [name]

Address of the Trust

Innovations Division
The Wellcome Trust Limited
215 Euston Road
London NW1 2BE

Fax No: (+)44 (0) 20 7611 8857

For the attention of: The Operations Manager
With a copy to: Dr Richard Seabrook

Address of the Department

Central Commissioning Facility
Grange House
15, Church Street
Twickenham
TW1 3NL

Fax No: 020 8843 8001

For the attention of: The Assistant Director, Health Innovation Challenge Fund
With a copy to: The Director, Central Commissioning Facility

- 7.6 Any notice given pursuant to Clause 7.5 shall be deemed to have been received:
- a) in the case of delivery (i) by courier, (ii) sending by registered, recorded or certified mail or (iii) if delivered personally, on the day of receipt provided receipt occurs on a Business Day of the recipient Party or otherwise on the next following Business Day of the recipient; or
 - b) in the case of facsimile, on acknowledgement by the recipient facsimile receiving equipment on a Business Day if the acknowledgement occurs before 5:00pm local time of the recipient Party and in any other case on the following Business Day.
- 7.7 None of the rights or obligations under this Agreement may be assigned or transferred without the prior written consent of the other Parties. This Agreement shall be binding on and take effect for the benefit of the successors in title of the Parties.
- 7.8 No waiver of any breach or default under this Agreement or any of the terms herein shall be effective unless such waiver is in writing and signed by the Parties' authorised signatories. No waiver of any such breach or default shall constitute a waiver of any other or subsequent breach or default.
- 7.9 If any provisions of this Agreement are held to be invalid, illegal or unenforceable (in whole or in part) such provisions or parts shall to that extent be deemed not to form part of this Agreement but the remainder of this Agreement shall continue in full force and effect.
- 7.10 This Agreement does not create any right enforceable by any person not a party to it under the Contracts (Rights of Third Parties) Act 1999.

- 7.11 Each Party shall at its own cost do and execute or procure to be done and executed all necessary acts, deeds, documents and things reasonably within its power to give effect to this Agreement.
- 7.12 This Agreement (and any dispute, controversy, proceedings or claim of whatever nature arising out of this Agreement or its formation) shall be governed by and construed in accordance with the laws of England and the Parties irrevocably submit to the jurisdiction of the English courts.

SPECIMEN

SCHEDULE 1
CONSENT APPLICATION FORM

(Insert completed Consent Application Form here)

SPECIMEN

SCHEDULE 2
AGREEMENT(S) TO BE ENTERED INTO

(Insert copies of relevant proposed agreements here)

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SCHEDULE 3
COMMERCIALLY SENSITIVE INFORMATION

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