

Researchers' inventions in Italy. Professor's privilege reversed and fresh Guidelines issued

📅 02/11/2023

📌 INTELLECTUAL PROPERTY

Giulia Beneduci

Introduction

In a previous article¹ we wrote about the (then) latest **bill amending the Italian Industrial Property Code (IPC)**, as recently approved by the Council of Ministers and placed before Parliament².

As previously mentioned, the reform package addresses several issues of the Italian IP system, and is a milestone of a broader design which is under way: it represents a concrete achievement of the **Strategic Lines of Intervention on Industrial Property** for the three-year period 2021-2023 (adopted by the Minister of Economic Development on 23 June 2021), falls within the missions of

the **National Recovery and Resilience Plan** (NRRP, approved by the Council of Ministers on 29 April 2021) and is consistent with the **Action Plan on Intellectual Property to strengthen EU's Resilience and Recovery** (adopted by the European Commission on 25 November 2021).

Earlier this year the bill was eventually approved by Parliament, and the reform package is now enshrined in **Law no. 102 of 24 July 2023**³, in force since **23 August 2023**.

One of the main changes introduced is the **radical recasting of Article 65 IPC**, which deals with inventions achieved by university researchers and the relevant regime of IP-rights entitlement. Here

¹ See article entitled "*The new draft reform package of the Italian Industrial Property Code. A further step towards competitiveness and digitalization*", dated 14 September 2022, available at this [LINK](#).

² DDL AS no. 2631, entitled "*Modifiche al codice della proprietà industriale, di cui al decreto legislativo 10 febbraio 2005, n. 30*", presented by the Minister of Economic Development. The full Italian text of the bill, with annexes, is available at: [DDL 2631 \(senato.it\)](#).

³ Legge 24 luglio 2023, n. 102, "*Modifiche al codice della proprietà industriale, di cui al decreto legislativo 10 febbraio 2005, n. 30*", published in the Official Journal, General Series no. 184 of 08.08.2023. Full Italian text available at this [LINK](#). In the course of the parliamentary process, certain amendments to the bill were approved, and there is, therefore, no perfect overlap between the content of the law and that of the original bill, DDL AS no. 2631.

below, we will focus on the “Copernican revolution” that has been brought about.

Moreover, we will dwell on the new provisions applicable to **research funded by third parties**, also providing an overview of the **Guidelines** for the governance of contractual relations between research institutions and funders recently adopted by the Ministry of Enterprises and Made in Italy (MIMIT), in conjunction with the Ministry of University and Research (MUR), by Inter-ministerial Decree of 26 September 2023⁴.

New Article 65 IPC. Reversal of the Professor’s privilege mechanism

As noted above, the reform radically affects the legal regime of IP-rights with respect to inventions made within universities and research entities, essentially reversing the pre-existing approach.

Pursuant to the **previous version of Article 65 IPC**, except in the case of privately funded research or specific research projects financed by public entities other than the university, entity or administration to which the researcher belonged, the exclusive entitlement to the rights deriving from a patentable invention was attributed to the researcher-inventor (so-called **Professor’s privilege**). The university, entity or administration was (only) entitled to a certain percentage of the fees or income deriving from the exploitation of the invention, as well as to a free, non-exclusive licence to exploit the patent in case of voluntary inaction on the part of the inventor (or his assignees/successors) once five years had lapsed since the patent grant.

This rule had been much criticized by legal literature, since it basically left the future of the invention in the hands of researchers, who often are not interested in investing in patentability assessment and patenting process, and/or do not have the economic resources to do so. Thus, that regime would lend itself to jeopardizing technological development, inasmuch as it could generate a risk for the invention to remain unimplemented.

Conversely, **new Article 65 IPC**, substantially in line with the majority of other EU jurisdictions, attributes **the ownership of the rights arising from the invention, in the first place, to the research institution** to which the inventor belongs, without prejudice to the inventor’s moral right to be recognized as the author. **Only in case of inaction on the part of the university/entity, the entitlement to the rights concerned will vest in the researcher-inventor.**

More particularly, under the new rules the researcher-inventor is expected to promptly inform the university or entity (which he/she belongs to) of the subject-matter of the invention⁵, and both parties have to safeguard the novelty of the same by refraining from disclosing or making it accessible to the public. If, within six months⁶ from receipt of the inventor’s communication, the university/entity has not filed a patent application or has informed the inventor of its lack of interest in doing so, then the latter is entitled to file the patent application in his/her own name.

Some aspects which in the past had led to uncertainties at the operational level have been more precisely defined, in particular, with respect to the **type of personnel and entities** involved. The new provisions apply “... *when the industrial invention is made in the*

⁴ Full Italian text of the Decree dated 26 September 2023 available at this [LINK](#).

⁵ In case the inventor does not make such communication, he/she will not be entitled to file the patent application in his/her name, without prejudice to the applicable contractual provisions, and to the right of action pursuant to Article 118 IPC in the matter of claims for ownership of a patent/patent application.

⁶ This term is extended for a maximum three-month period, subject to prior notice to the inventor, provided an extension is necessary to complete the technical assessment initiated by the research institution immediately after receipt of the inventor’s communication.

performance or fulfilment of a contract or relationship of work or employment, even if for a fixed term, with a university, even if a legally recognized non-State one, a public research entity or a scientific institute for research, hospitalization and healthcare (IRCCS), as well as within the framework of an agreement among the same parties ..."⁷. Thus, the **subjective perimeter** of Article 65 is identified in greater detail.

Not unlike the old text of the article, also the new version addresses (*mutatis mutandis*) **team inventions**, that is, inventions achieved by more persons. Unless otherwise agreed⁸, the rights arising therefrom belong **in equal parts** (no longer to all authors, but) **to all the research institutions involved**.

Overall, the new regime swings the balance from an **individual** to an **institutional ownership model**⁹, which is ultimately supposed to encourage the transfer of innovative technologies from the world of university/research to that of business. At the same time, certain issues are expressly left to the **autonomy** of the research institution, namely: (a) the manner in which the provisions of Article 65 are applied to subjects who are entitled to participate in research activities, including students in degree programs for inventive results achieved within the scope of laboratory activities or in programs; (b) relations with inventors and rewards for inventive activity¹⁰; (c) relations with funders of research that produces patentable

inventions¹¹; (d) any other aspect related to best practices for valorizing inventions.

Finally, the new fifth and last paragraph of Article 65 IPC specifically addresses rights arising from inventions made within the performance of **research activity that is financed, in whole or in part, by a third party**. While the previous version limited itself to exclude application of the (other) provisions of Article 65 to funded research, it is now expressly stated that the rights concerned shall be **governed by the contractual arrangements in place between the parties**. It is moreover provided that these agreements shall be **drafted on the basis of the guidelines (Guidelines) identifying the principles and specific criteria** for the governance of such contractual relations, to be adopted by decree of the Minister of Enterprises and Made in Italy, in conjunction with the Minister of University and Research, within sixty days from the date of entry into force of the provision thereon¹².

Commissioned research. The Guidelines for the governance of contractual relations between research institutions and funders

As previously noted, the Inter-ministerial Guidelines pursuant to Art. 65, para. 5, IPC were actually issued a few weeks ago¹³. They are supposed to be taken into account in case of **commissioned research**, defined as "... *that particular type of research funded, in whole or in part, by third parties other than*

⁷ Working translation from new para. 1 of art. 65 IPC.

⁸ And without prejudice to Article 6 CPI, which governs the communion of IP rights in general.

⁹ As explained in the technical report annexed to the bill (DDL AS no. 2631): see footnote no. 2 above.

¹⁰ As to the allocation of the fees/income derived from the economic exploitation of the invention, the original bill (DDL AS no. 2631) - in partial overlap with the old version of Article 65 IPC - provided that the inventor would be entitled, in any case, to not less than 50% thereof, after deduction of the costs borne by the research institution in connection with patent filing, prosecution and renewal. On the other hand, the remuneration of the research institution, unless and until the same had autonomously provided for rules governing relations with inventors and rewards for their inventive activity, would not exceed 30%. Along the parliamentary process that resulted in the law these provisions have been removed, and these thresholds do not feature in new Article 65 IPC.

¹¹ Such relations between research institutions and funders are supposed to be regulated by contract, taking into account the provisions of new paragraph 5 of Article 65: see below.

¹² The same paragraph 5 of Art. 65 IPC also clarifies that agreements entered into between the parties prior to the issuance of the Guidelines remain unaffected.

¹³ Full Italian text of the Guidelines available here: [LINK](#).

*universities, including legally recognized non-State universities, public research entities and IRCCSs, which is **carried out according to a purpose oriented by the funding party to meet a need of its own ...***¹⁴.

Their scope of application only includes issues strictly related to the protection, exploitation and dissemination of results that may be the object of any intellectual property protection under the IPC. It is also emphasized that **the parties are free to identify the most appropriate arrangement of their interests within the contractual relationship**. The Guidelines are intended to orient the negotiation according to alternative scenarios that the parties themselves are at liberty to evaluate according to the concrete type of research, having regard to the interests involved.

The underlying rationale is that, without prejudice to the principle of contract freedom, it is of the essence **to ensure a balancing of the parties' interests in the results** of commissioned research, which may be covered by industrial property rights. In fact, on the one hand, the primary interest of research institutions is to afford visibility to their inventive activity and disseminate its results. On the other hand, the priority for funding parties is to dispose freely and immediately of the results, in order to exploit them industrially and commercially, without competitors unduly benefitting therefrom.

Against this background, the Guidelines: (i) identify different types of contracts on commissioned research for the purpose of IP rights governance, (ii) provide a list of mandatory matters to be addressed in the contract between the research institution and the funding party, and (iii) make a series of recommendations deemed of special relevance in view of correctly designing the perimeter of the contract, especially as regards the generation, exploitation and dissemination of results.

(i) Different contract types on commissioned research from an IP perspective

Based on practice, commissioned research relations can be traced to **three main types** of contractual arrangements, which differ from one another as to the intensity of the research activity, the need to employ either party's prior knowledge, and the expectation of new patentable/protectable knowledge: (a) contracts on service activities, (b) contracts on development activities, and (c) contracts on innovative research activity.

(a) Service contracts

By a **service contract**, the funding party: (i) requests the research institution to carry out a standard activity, employing established and routine technological skills or capabilities; (ii) is provided with the results of the activities; and (iii) emphasizes its role as a client vis-à-vis the provider of the service. In this scenario, it is **unusual for a result to qualify for patent/IP protection**.

This is typically the case of performance of analyses, syntheses, tests, measurements, characterizations or investigations that do not specifically involve original and inventive contributions on the part of the researcher belonging to the university/entity (e.g., a routine, albeit complex, analysis for which the necessary tools are not available to the funding party), preparation of known/standard products or data collection.¹⁵

(b) Development activities contracts

In this case, the funding party has independently conceived a project to be developed through a collaboration with the research institution, or realized a technology that is intended to be applied in the future. The subject-matter of the contract is **applied research** on projects

¹⁴ Working translation from paragraph 2 of the Guidelines.

¹⁵ See para. 5.1 of the Guidelines.

of optimization, completion or selection of **products/processes or applications already under development by the same funding party.**

The generation of **new IP rights** is a **possible outcome** of the activities. As a rule, they are related to **pre-existing knowledge of the funding party**, which, again as a rule, has proprietary nature and sometimes is already patented/protected by IP rights. However, in certain cases, autonomous inventions/creations may arise within the context of development activities contracts.¹⁶

(c) Innovative research contracts

In this type of contract, **the innovative contribution from the research institution is the core of the activity.** Implementation of the directions imparted by the funding party aside, the solutions achieved are entirely the result of the researchers' knowledge and inventiveness. The common denominator of this contract type is that the projects (e.g., research leading to the solution to an unsolved technical problem, to a new product or to a new use of a product/application of the funding party) are characterized by a marked element of innovation.

The generation of **new IP rights**, which is usually expressly addressed by the contract program, represents **a highly probable and expected outcome** of the activities. Besides, the innovative contribution may **derive from prior knowledge of both the research institution and the funding party**, as resulting from the application of academic knowledge to business technologies and problems, possibly in combination with the funding entity's own know how.¹⁷

(ii) Mandatory aspects to be addressed in contracts between research institutions and funding parties

It is observed that the parties should sign the contract **before** starting their collaboration, addressing all the matters at stake from the outset. More particularly, **the following are considered of the essence**:

- (a) indication of the parties;
- (b) clear explanation of the purpose of the collaboration;
- (c) definition of key-words or expressions that are used throughout the contract;
- (d) clear and detailed indication of the object and nature of the collaboration;
- (e) regime of prior knowledge of the parties (so-called background knowledge);
- (f) regime of knowledge expected from the commissioned research (so-called foreground knowledge);
- (g) dissemination of results;
- (h) for each party, indication of the persons responsible for the implementation of the collaboration / profile of individuals currently or potentially involved in the research activities;
- (i) definition of economic aspects (*ex-ante* quantification of funding, definition of any awards and consideration, payment method and timing, etc.);
- (j) ownership of the results;
- (k) governance of confidentiality / protection of confidentiality / obligations and ways to report the results;
- (l) provisions on publications;
- (m) indication of the contract term;
- (n) provisions on withdrawal and termination (with precise indication of the manner of termination in case of disputes, competent jurisdiction and governing law).¹⁸

¹⁶ See para. 5.2 of the Guidelines.

¹⁷ See para. 5.3 of the Guidelines.

¹⁸ See para. 6 of the Guidelines.

A number of these points are naturally addressed by civil-law general principles and good practices.

(iii) Recommendations to correctly delimit the perimeter of the contract as to research results

✓ **Knowledge expected to arise from commissioned research (foreground knowledge)**¹⁹

According to the Guidelines, different solutions can be devised with respect to both ownership and exploitation of the IP rights arising on the results (*foreground knowledge*).

As regards entitlement to the results, the contract can provide for (a) co-ownership between research institution and funding party; (b) exclusive ownership by the research institution; or (c) exclusive ownership by the funding party.

(a) A situation of **co-ownership of the results** can arise either where both parties have contributed to the achievement of the inventive result, or where so agreed contractually. In order to prevent uncertainties and potential disputes in relation to the management of inventions/patents, it is advisable to specify in the contract which party bears the burden and costs of filing (and prosecuting) the patent application. Another option that is indicated by the Guidelines, with a view to avoiding a co-ownership for an indefinite term, is to determine the manner and timing of the transfer of the research entity's share to the funding party.

(b) **Exclusive ownership by the research institution** might make more sense if the inventive result has been entirely achieved by the researcher/s belonging to the same. On the other hand, it is possible to provide up front for the full transfer of ownership (at the exclusion of moral rights) to the funding party, also making arrangements in respect of burdens and costs of filing and prosecution.

(c) **Exclusive ownership by the funding party** is more in line with the parties' interests in case of service activities, where the *foreground knowledge* is unlikely to possess innovative character and just amounts to an agreed output.

As far as the commercial exploitation of the results is concerned, certain precautions may be advisable, depending on the contract type.

In case of a service contract whereby results directly belong to the funding party, it will be appropriate to address the **right of the research institution to use the data** and information **deriving from the service** activity for purposes of further research or teaching, obviously without compromising the protection of the results themselves (typically by an inadvertent disclosure).

In case of contracts on development activities or innovative research providing exclusive ownership of the results in favour of the research entity or their co-ownership with the funding entity, it is appropriate for the agreement to provide in detail **the manner of transfer of the results in favor of the funding entity**, possibly by the assignment of the patent applications that the university/entity has filed or of the patents already granted as a result thereof. The parties may also provide that such obligation to transfer, assumed in advance by the research entity, will be triggered by an expression of interest by the funding party and needs to be performed within the terms set by the contract.

With specific regard to development activities, it would be wise to contractually provide that the transfer shall be performed in consideration of an agreed **fee, also including a remuneration for the transfer**, also taking into account the relevance of the *background knowledge* of the funding party.

¹⁹ See para. 6.5 of the Guidelines.

As to innovative research (whether in case of exclusive ownership of the research institution or in a co-ownership situation), two possible models are indicated: there could be a **transfer of the results** (in the same way as for development activities), or an **exclusive licence** (covering the research entity's entire ownership or share, as the case may be). Besides, the greater intensity of the effort made by the university/entity in this type of commissioned research as a rule makes a **higher consideration** appropriate (by either a fixed amount or a periodic fee) for the access to results by the funding party.

In any event, the Guidelines reiterate the need to respect the principle of contractual autonomy, which entails that different agreements are legitimate between the parties also with respect to the economic exploitation of *foreground knowledge*.

✓ **The parties' background knowledge²⁰**

Each party's *background knowledge*, which by definition pre-exists the collaboration with the other party, is **not affected** by the latter. The Guidelines recommend to contractually specify that under no circumstances does the collaboration establish different ownership or co-ownership relations with respect to *background knowledge*, always without prejudice to the principle of contractual autonomy.

Again according to the Guidelines, an issue might arise where the use of the *foreground knowledge* (arguably vesting in the funding party) after completion of the research activity **technically requires continued access to the research institution's background knowledge**. In such circumstances, it is recommended that the research contract specifies in advance the conditions of access to the *background knowledge* concerned by the funding party in case of

commercial exploitation of the *foreground knowledge*. Access could be granted through a **licence**. The structure of the licence fee (whether fixed or variable) is left to negotiation between the parties, who should also take into account the economic contribution received by the research institution, the nature of the licence and the relevance of the *background knowledge*.

✓ **Dissemination of results through publication²¹**

The Guidelines specify that collaboration between research institutions and funders can lead to three main types of results, to be also addressed in the contract: patents (or other exclusive rights subject to filing/grant), publications of a technical-scientific nature and know-how as to which the funding party wishes to maintain secrecy and non-disclosure. In any event, **the dissemination of results must not impair the possibility to achieve patent protection**.

Typically, the information exchanged between the parties during the performance of the contract is covered by confidentiality obligations, subject to certain exclusions (e.g., as to information that is in the public domain as of the date of the agreement).

Subject to duly taking into account confidentiality constraints, the documents generated during the performance of the contract may, in whole or in part, be the subject of **scientific publications upon prior written agreement** between the parties.

Moreover, **where the request for publication comes from the research institution**, prior authorization is required from the funding party, which may reserve the right to evaluate any potential prejudice deriving from disclosure. In case the authorization is granted, a citation of the funding party as the

²⁰ See para. 6.4 of the Guidelines.

²¹ See para. 6.7 of the Guidelines.

promoter and funder of the research initiative is as a rule provided.

In any event, **in case the funding party denies authorization to publish, reasons will need to be given and refusal must be communicated within a certain time frame.** In this respect, mechanisms of deemed consent may be put in place.

In the opposite situation **where the request/need for publication arises from the funder**, it may be appropriate that the latter undertakes to expressly cite the research entities.

✓ **Other recommendations**²²

The Guidelines finally contain recommendations to **protect confidentiality** with respect to the information exchanged between the parties, both at the negotiation stage and in performing their collaboration. The purpose is to ensure that both *background* and foreground knowledge, inasmuch as they constitute trade secrets, retain the relevant requirements and that, to the extent they are patentable, their novelty is not destroyed by disclosure.

Further recommendations concern the **precise identification of the individual profiles** currently or potentially involved in research activities, whether they are employees or non-employee researchers. Although research teams may change over time, this is suggested especially for the purpose of determining entitlement and inventive awards.

As far as possible, the **nature and object of the research/service** should be accurately defined in advance, in relation to the possibility of securing IP rights. In particular, it is advisable to detail what contribution and outcome is expected from each party.

Conclusive remarks

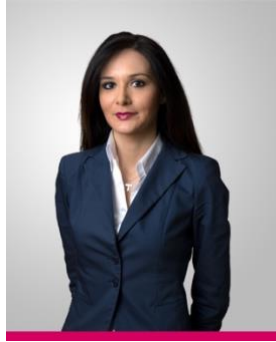
In the intent of the Legislator and the Ministries involved, this new legal framework should foster virtuous processes towards enhancement of innovation and technology transfer, by offering added tools to build up synergies between the world of research and that of business.

It can be noted that such tools safeguard both the statutory autonomy of research institutions and, specifically in case of funded research, the parties' contractual autonomy. It is now up to universities and other research entities to issue/adapt their own implementing regulations, as well as to negotiate adequate contracts with funders.

In this perspective, fine-tuning will be inevitably needed in a number of respects. For instance, neither new Article 65 IPC nor the Guidelines address the criticalities that might arise in governing the so-called **sideground knowledge**, namely potentially patentable inventions or IP rights that may arise during the term of the contract **outside** the scope of the research (thus, not amounting to a result expected therefrom), but possibly deriving from either party's patent/IP rights.

Ultimately, tailored solutions should be sought so as to allocate the economic exploitation of IP rights with the most efficient and balanced approach. This can be an opportunity to seize, for both universities and businesses, to contribute to the kick-off of a fresh wave of funded research and, more in general, to trigger an unprecedented season for technological advancement.

²² See paragraphs 6.1, 6.2 and 6.3 of the Guidelines.



Giulia Beneduci

ASSOCIATE



g.beneduci@dejalex.com



+39 02 72554.1



Via San Paolo 7
20121 - Milano

MILANO

Via San Paolo, 7 · 20121 Milano, Italia
T. +39 02 72554.1 · F. +39 02 72554.400
milan@dejalex.com

ROMA

Via Vincenzo Bellini, 24 · 00198 Roma, Italia
T. +39 06 809154.1 · F. +39 06 809154.44
rome@dejalex.com

BRUXELLES

Chaussée de La Hulpe 187 · 1170 Bruxelles, Belgique
T. +32 (0)26455670 · F. +32 (0)27420138
brussels@dejalex.com

MOSCOW

Potapovsky Lane, 5, build. 2, 4th floor, office 401/12/9 · 101000, Moscow, Russia
T. +7 495 792 54 92 · F. +7 495 792 54 93
moscow@dejalex.com

