

Nano and Advanced Materials Institute Ltd.

Intellectual Property Policies and Arrangements

(Note: All items are subject to change if necessary without prior notice)

1. Definition of Intellectual Property

The research and development (R&D) projects sponsored by Nano and Advanced Materials Institute Ltd. (NAMI) are expected to generate new intellectual property (IP), which may be in the forms of technical patents, designs, copyrights, artworks, trademarks, trade secrets, etc. The corresponding IP rights include the rights to use, to share benefits, and to hold title of IPs. The responsibilities of IP management include disclosure of inventions, record keeping, maintenance and enforcement of IPs.

2. Principles and General Guideline

The IP arrangements should be made to facilitate smooth transfer of developed technologies, enable effective management of IPs, and contribute to building up NAMI's core competence and sustainable operations. In order to encourage the participation of industry and other research/technology partners in the R&D projects, the IP arrangements should be made to allow participants to enjoy IP rights, and the form of the arrangement should be commensurate with the level of contribution.

The following paragraphs are intended to serve as general guidelines and are based on guidelines for IP arrangement issued by the Innovation and Technology Commission (ITC), which aimed to set out a broadly consistent approach for all R&D Centres to adopt. On this basis, the NAMI Board of Directors may decide on the IP arrangements for each individual case.

3. IP Arrangements for Platform Research Projects

3.1. Nature of Platform Research Projects -----

Platform Research Projects are projects primarily aimed to benefit the industry or a certain sector of the industry in a general manner. There should be at least two industry partners making contributions to the projects. As a general rule, the aggregate industry contributions should constitute at least 10% of the total project costs (including administrative overheads) and such contributions should be made available within the first six to nine months after the project has started.

3.2. General Arrangement -----

The title of new IPs derived (foreground IP) from the project should vest in NAMI. Industry partners who have made cash contributions to a platform technology project within the first nine months after the commencement of the project may retain the rights to use the new IPs for commercial exploitation. NAMI shall grant non-exclusive licences to the concerned industry partners on a need-to-use basis and on fair terms to be agreed between NAMI and the industry partners. In addition, an industry partner who has contributed an amount over a threshold (to be determined by NAMI Board of Directors) may be eligible to share the benefits obtained from the commercialisation of new IPs from the project.

For industry partners that do not fall in the above category, NAMI may grant non-exclusive licences for them to use the IPs with a higher rate of royalty. Such industry partners will not be eligible to share the benefits of commercialisation of new IPs from the project unless the NAMI Board of Directors decides otherwise.

3.3. Exclusive Licence Arrangement -----

In principle, no exclusive licence should be granted to an individual industry partner. However, if the industry partners can form a consortium after the commencement of the project, the NAMI Board of Directors may consider granting an exclusive licence to the consortium or to an individual industry partner on the following conditions:

- a company has contributed at least 50% of the project cost, with cash being the principal contribution, and
- the exclusive licensee will have a significant presence of industry activities in Hong Kong; or
- the exclusive licensing arrangement is necessary to enable commercialisation of the IP to form an industry cluster; or
- the exclusive licensing arrangement could generate significant economic benefits to Hong Kong.

The specific terms and conditions for the assignment of exclusive licence are subject to negotiations between the industry partners and NAMI. Even if an exclusive licence is granted, NAMI should still retain a royalty-free right to use the licensed IP for future research purposes.

3.4. Buy-out Arrangement -----

In principle, buy-out of foreground IPs that are generated from the NAMI sponsored platform research projects is not encouraged. However, if the industry partners participating in the project could form a consortium and propose to buy-out the IPs, the NAMI Board of Directors may consider approving such request subject to detailed negotiations on the terms and conditions, as well as to the following considerations:

- whether other interested industry players would be eligible to use the concerned IP through licensing arrangements;
- whether the buy-out arrangement is in public interest and in the interest of the industry in the broader sense; and
- whether the buy-out arrangement provides a better chance for successful commercialization.

4. IP Arrangement for Collaborative Research Projects

4.1 Nature of Collaborate Research Projects -----

Collaborative Research Projects refer to those R&D projects with objective consistent with NAMI's technology roadmap. Collaborative projects with industry refer to those projects in which an industry partner makes a contribution constitutes no less than 30% of the total project costs (including administrative overheads) at the start of the project.

4.2. General Arrangement -----

Foreground IP from the project shall vest in NAMI. The industry partner will automatically be granted an exclusive licence to use the project IPs free of charge for a defined period (to be determined by the NAMI Board of Directors). During this period, the industry partner may request to buy-out the corresponding IPs. However, if the industry partner does not choose to exercise the buy-out option, NAMI will continue to hold the title of the project IPs, and may grant licence to other parties to use such IPs after the aforementioned exclusive licence expires.

4.3. Buy-out Arrangement -----

The industry partner may retain the right to buy-out the IPs, including all equipment procured in the corresponding project, within the period of exclusive licence granted as mentioned in Clause 4.2. The consideration for buying-out should be at a premium over the total project cost. The level of premium should be determined by negotiation between NAMI and the industry partner on a case-by-case basis. The buy-out arrangement should include retention of a royalty-free right for NAMI to use the IP for future research and development purposes.

4.4. Special Arrangement for the Industry Partner with 51% or More Contribution -----

Foreground IP from the collaborative research project may rest with the industry partner if the contribution from the industry sponsor accounts for no less than 51% of the total project cost, subject to the following conditions:

- NAMI shall enjoy the beneficiary rights of IPs generated, i.e., NAMI shall have the right to share the benefits from commercialization of the project IPs (including royalty fees), with the sharing ratio subject to negotiation between NAMI and the industry partner having regard to the respective proportion of their contributions to the project. NAMI shall also have the right to take appropriate actions against the industry partner if the latter does anything that may jeopardize NAMI's beneficiary rights of the concerned IPs;
- The industry partner shall return the title of the project IPs to NAMI if the industry partner fails to commercialise the IPs within a certain period of time (to be agreed by both parties);
- NAMI shall have the first right of refusal in case the industry sponsor decides to dispose of or sell to others the project IPs;
- NAMI shall have the right to collect from the industry partner a certain amount of guaranteed income for the commercialization of the project IPs; and
- NAMI shall retain a royalty-free right to use any IPs generated from the project for further research purposes.

4.5. Background IP Arrangement with Research/Technology Partner -----

For collaborative research projects with background IPs, the title of the background IPs remains with the research/technology partner. But NAMI may retain the right to sub-licence the background IPs to the industry partner on reasonable terms if the use of such background IPs is necessary for the full exploitation of the new IPs generated from the NAMI sponsored projects. The background IP title owner is entitled to the full amount of the sales revenue generated from the background IPs.

4.6. Foreground IP Arrangement with Research/Technology Partner -----

Foreground IP from the project usually rests with NAMI. Depending on the contribution of the project partners, NAMI may negotiate for sharing the title of the new IPs with the research/technology partner for the following rights:

- the right to use the new IPs for commercial exploitation at a fee to be negotiated between NAMI and the partner concerned;
- the right to use the new IPs for research purpose subject to the approval of the NAMI Board of Directors; and
- the right to share benefits from the commercialization of the new IPs.

5. IP Arrangement for Contract Research Projects

Contract Research Projects are projects in which NAMI undertakes for a company on a specific topic with full costs borne by the company. The IPs generated from contract research projects and the benefits generated from such IPs shall rest with the industry sponsor. NAMI will not claim any IP rights generated from the contract research project, except the right to use the IPs for research purposes only.