

The Rose Book Annex C

Commercialisation routes

Annex C

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Licensing - Exclusive/ Sole

Example scenarios in which this may be appropriate

Knowledge Assets are ready to be adopted by the commercial market. The Knowledge Asset may be market-ready or may require further development by the licensee to bring it to market.

The market will only support a single licensee, or the licensee needs exclusivity to justify investment in developing the Knowledge Assets.

Where public sector-owned Knowledge Assets have been developed by a contractor under a Government contract, it may be appropriate to consider licensing the originating contractor to exploit the Knowledge Assets with other customers, if they are well placed to do so.

Advantages

A licence can be granted in return for upfront fees and/or milestone payments and/or royalties charged as a percentage of sales revenue.

Royalties provide for joint risk and reward and, if the product or service is successful, may provide for longer term returns.

Higher fees and/or royalties can generally be charged for exclusive licences.

Resourcing of IP management, prosecution and enforcement may be passed to the licensee.

Only a single licensee to manage.

Disadvantages

Some resources will still be required to manage/police the licence to ensure that the licensee is working the Knowledge Asset, to understand outcomes and impact from licensing the public sector Knowledge Asset and to monitor payments.

An exclusive licence may put the new owner in a monopoly position in the market, reducing the opportunities for competition, and raising possible issues with Competition rules.

Revocable licences may be problematic to the licensee to raise investment from private sector sources.

Licensing - Exclusive/ Sole (Continued)

Key considerations

Note that an "Exclusive" licence means nobody except the licensee may use the Knowledge Assets – this includes the public sector.

If the public sector needs to retain the right to use the Knowledge Assets, a "Sole" licence will be more appropriate.

Licences may be structured to grant exclusivity in a specific field of use or for certain geographic territories only.

The licence should set out who is responsible for paying any prosecution and renewal fees in relation to IP, and who will be responsible for managing and approving the IP protection process and enforcing that IP against unlicensed users.

The licence should include clear limitations on any warranties or indemnities given in respect of the Knowledge Assets.

Licensing must be compliant with any restrictions applied by the Reuse of Public Sector Information Regulations or delegations from National Archives.

Consider the inclusion of a Key Performance Indicator to ensure that the desired exploitation threshold is performed by the licensee.

Consider possible competition concerns.

Appropriate internal IP and commercialisation policies and innovator reward schemes.

Access to the know-how and expertise of the development team may be required to take the Knowledge Assets forward.

Licensing - Non-exclusive

Example scenarios in which this may be appropriate

Knowledge Assets are ready to be adopted by the commercial market.

The Knowledge Asset may be market-ready or may require further development by the licensee to bring it to market.

There are a number of potential licensees and the market is judged able to support multiple providers.

Advantages

Licences can be granted in return for upfront fees and/or milestone payments and/or royalties charged as a percentage of sales revenue.

Royalties provide for joint risk and reward and, if the product or service is successful, may provide for longer term returns.

Fewer competition issues as licences can be granted to multiple parties.

Knowledge Asset retained for public sector use.

Disadvantages

Royalty rates are likely to be lower than for Exclusive or Sole licences.

Licensees are less likely to make long-term investments in developing the Knowledge Assets as their market is not protected.

It is likely that the public sector will have to lead on IP management, prosecution and any enforcement of IP related to the Knowledge Assets.

More resource required to monitor and manage the multiple licensees, including to understand outcomes and impact from licensing the public sector Knowledge Asset and to monitor payments.

Revocable licences can be problematic to the licensee to raise investment from private sector sources, although holding a non-exclusive licence is rarely the basis for a fund raising event.

Licensing - Non-exclusive (Continued)

Key considerations

Consistent licence terms should be used with all licensees to avoid discrimination or distorting the market.

The licence should include clear limitations on any warranties or indemnities given in respect of the Knowledge Assets.

Licensing must be compliant with any restrictions applied by the Reuse of Public Sector Information Regulations or delegations from National Archives.

There may be a requirement to make the licence revocable if there is a need to restrict the terms of the licence for a specified reason.

Appropriate internal IP and Commercialisation policies and innovator reward schemes.

Licensing - Open Source

Example scenarios in which this may be appropriate

There is a public interest in making the Knowledge Assets widely available for free use.

For example, to encourage competition and innovation in the market place, or to increase the general level of technical competence in the UK.

Advantages

Maximum opportunities for individuals and companies to re-use the Knowledge Assets.

No restriction on open competition.

Opportunity for unexpected exploitation paths to emerge.

Minimum public sector resource needed to administer licences.

The community may further develop and enhance the Knowledge Assets for use by the public sector and others, and my help to fix any bugs in software.

Disadvantages

The public sector loses control of who may use the Knowledge Assets, and for what purpose.

Detailed attention is required for terms which may preclude commercial actors developing marketable products.

Commercial entities may be unwilling to invest in developing or proving the Knowledge Assets if there is no protection from competing entities available.

No revenue will be earned from any exploitation of the Knowledge Assets under free open licences.

Licensing terms should be understood prior to Open Source contributions being made.

A clear decision-making process on whether to open source or protect IP should be determined and recorded for future reference and validation.

Licensing - Open Source (Continued)

Key considerations

Consideration of what open source licensing model to use though initial licensing of code and GUI should usually be under OGL terms.

For general copyright works the OGL will usually be the best option.

For software, there are a number of open source models to choose from.¹

Licence models should ensure that ownership is properly attributed to the public sector, and should effectively disclaim any product or IP liability.

Further detail on open software licenses is available from The National Archives, http://www.nationalarchives.gov.uk/information-management/re-using-public-sector-information/uk-government-licensing-framework/open-government-licence/open-software-licences/

Sale of Knowledge Assets

Example scenarios in which this may be appropriate

The public sector has ownership of Knowledge Assets that are not central to its core purpose or objectives and unlikely to be required by the public sector again.

The public sector has no need to control use of the Knowledge Assets.

The Knowledge Assets have potential value for exploitation in the private sector and licensing is not a tenable route.

There are no wider policy requirements to make the Knowledge Assets generally available for re-use by the public.

Advantages

Public sector resource not required to protect, manage or enforce rights in the Knowledge Assets post-sale.

Depending how the contract is structured, a direct, immediate financial return can be realised.

In limited scenarios, transfer of Knowledge Assets ownership through sale may be appropriate to secure investment.

Disadvantages

Public sector loses control of the Knowledge Assets and exploitation including for future public sector purposes.

Public sector cannot regain rights if, for example, the new owner is not developing them or if the Knowledge Assets subsequently have potential to be useful to core purpose.

The new owner may choose not to exploit the Knowledge Assets fully, or at all, and the potential of the Knowledge Assets remain unrealised.

The Knowledge Assets may put the new owner in a monopoly position in the market, reducing the opportunities for competition, and raising possible issues with Competition rules.

It can be difficult to accurately value a Knowledge Asset before it is exploited to ensure that the sales price delivers value for money.

Some resources will still be required to understand outcomes and impact from sale of the public sector Knowledge Asset.

Sale of Knowledge Assets (Continued)

Key considerations

There should be a significant rationale for sale of a Knowledge Asset in preference to licensing.

If the public sector will have any potential need to use the Knowledge Assets in the future, a licence-back for such use must be included in the sale agreement.

Consideration should be given to the position of the originators of the Knowledge Assets, to ensure that they are appropriately rewarded.

Consider possible competition concerns.

Appropriate internal IP and commercialisation policies and innovator reward schemes.

Access to the know-how and expertise of the development team may be required to take the Knowledge Assets forward.

Spin-out

Example scenarios in which this may be appropriate

Where the public sector owns Knowledge Assets with high potential, but which need further focused development before the opportunity can be brought to market.

Where there is a sufficient business case to demonstrate potential market and investment potential.

Where access to the know-how and expertise of the development team are required to take the Knowledge Assets forward.

Advantages

A spin-out company can present the best/only route to convert high potential Knowledge Assets into usable products and services.

Can create a new company to meet a new market need or provide a disruptive new product or technology.

The spin-out company can produce goods or services needed by the public sector, that cannot be procured from elsewhere. These may be procured at a preferential rate.

The public sector can take equity in the spin-out company, which can later be sold.

The public sector may offer a licence on commercial terms in addition to the equity arrangement.

The spin-out company can raise investment from private sector sources.

There may be value-add to the public sector organization through the relationship developed with the spin-out, knowledge sharing, secondment opportunities and creation of an entrepreneurial culture within the organization.

Disadvantages

Spin-out companies are complex and require expertise to establish and manage.

Spin-out formation is risky, and many new initiatives fail. The public sector must be prepared to accept that risk.

Key personnel may be "lost" to the spin-out company, resulting in a reduced capability within the public sector.

Spin-out (Continued)

Key considerations

Equity shares for the public sector and other investors.

The equity and licensing arrangements should be considered as part of a package when negotiating appropriate terms.

Arrangements for inventors and other key staff, and for provision of support and know-how to the start-up.

Appropriate internal IP and Commercialisation policies and innovator reward schemes.

Appropriate internal Conflict of Interest policy.

Access to business leadership e.g. potential CEO and business mentors.

Ownership and management of Knowledge Assets, especially IP.

Competition and subsidy concerns.

An understanding of Crown copyright and Public Sector Information regulations is required.

Joint Venture²

Example scenarios in which this may be appropriate

Where there are shared public sector and private sector exploitation objectives for the Knowledge Assets.

Where additional public sector involvement or control is required or will add credibility or kudos to the enterprise.

Where access to the know-how and expertise of the development team are required to take the Knowledge Assets forward.

Advantages

A Joint Venture can present the best/only route to bring high potential public sector-owned Knowledge Assets to the market.

The public sector will have greater control and be better able to direct the Joint Venture to produce products and services that meet public sector objectives.

Disadvantages

Joint Ventures are legally complex and require expertise to establish and manage.

As a partner in the enterprise, the public sector may be exposed to significant liabilities if things go wrong.

Key considerations

Comprehensive legal advice should be sought on the arrangements establishing the Joint Venture.

A long-term plan for the future of the Joint Venture, or the public sector's exit strategy should be established at the outset.

There is a need to request permission to assign Crown Copyright from the National Archives.

For more detail on Joint Ventures see: <u>'Joint Ventures: a guidance note for public sector bodies forming joint ventures with the private sector</u>, HM Treasury, 2010.

