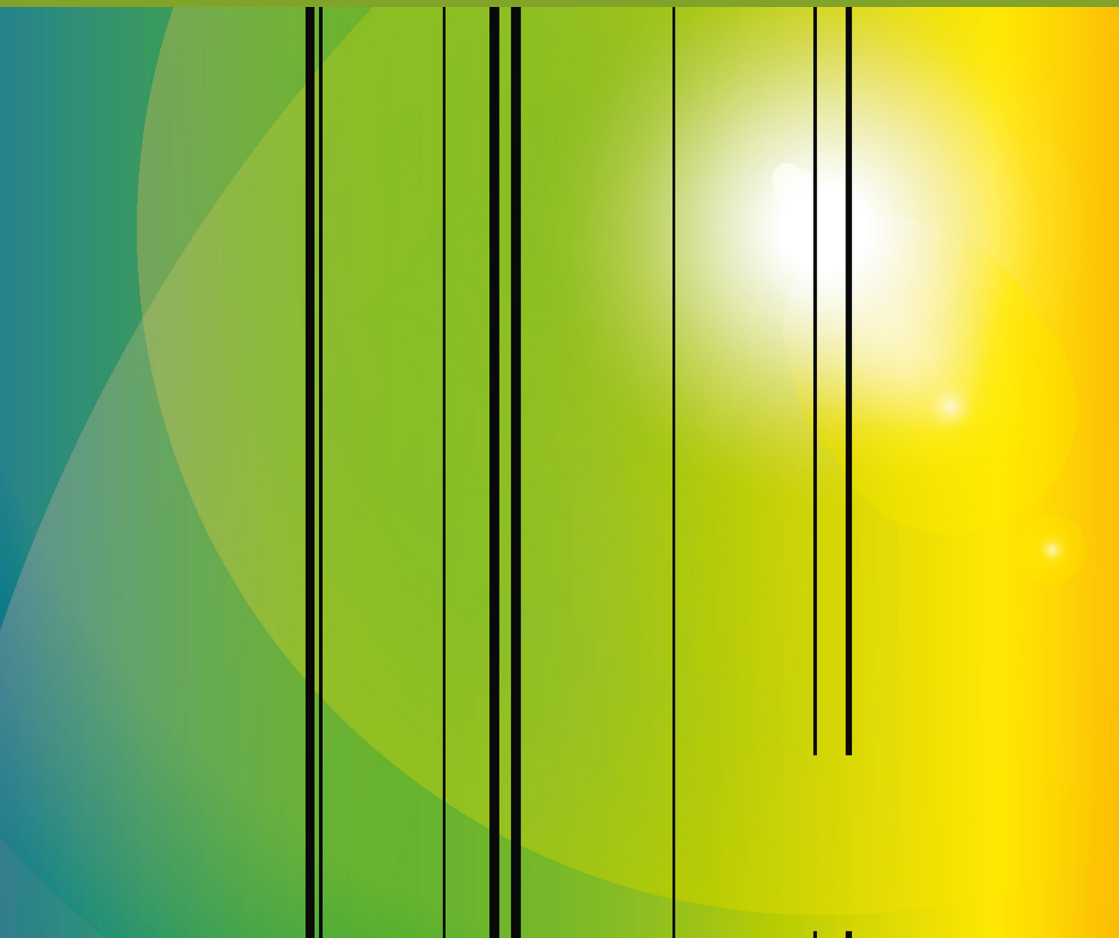


INTELLECTUAL PROPERTY GUIDELINES OF THE FRAUNHOFER-GESELLSCHAFT
FOR CONTRACT RESEARCH AND LICENSING

COMPETITIVE — NOW AND IN THE FUTURE



FRAUNHOFER

Fraunhofer currently operates 76 institutes and research facilities throughout Germany. More than 32,000 employees, predominantly scientists and engineers generate an annual research budget of 3.5 billion euros. Of this sum, 3.1 billion euros are obtained through contract research. Fraunhofer generates around two thirds of this revenue through commissions of the industry and publicly funded research projects. The remaining third comes from the German federal and state governments in the form of basic fund-ing. This enables the institutes to work on solutions to problems that could become relevant for industry and society within the next five to ten years.

International collaborations with excellent research partners and innovative companies around the world ensure direct access to the most important current and future scientific and economic spaces.

ABILITY TO INNOVATE

Technical progress and global competition are drastically shortening product life cycles in many industries. The ability to innovate is becoming key to success under these conditions. In order to survive on the international market and effectively increase market shares, companies are having to constantly develop new products, services and methodologies or improve their existing ones.

With its clear orientation toward applied research and focus on the key technologies of the future, Fraunhofer plays a central role in the innovation process in both Germany and Europe. Applied research has a knock-on effect that is felt way beyond the direct benefits experienced by the clients: The research and development work carried out by Fraunhofer contributes to safeguard the competitiveness of the region, Germany and Europe as a whole. It fosters innovation, boosts technological performance, promotes

the acceptance of new technologies and provides for training and advanced training for junior scientific and engineering staff, which is urgently required.

The hallmarks of Fraunhofer are proven know-how, technological competence and scientific excellence. New processes, products, services and materials are being developed in numerous projects — self-financed, publicly funded or orders from the industry.

SAFEGUARDING INNOVATION

Decisions for safeguarding innovations based on patents, utility models, trademarks and designs are being taken for the various technological sectors using both, strategic as well as product and transfer-relevant criteria.

Copyrighted works such as software, as well as the safeguarding of know-how, are also playing a key role.

Consideration is given to the various framework conditions under which the project results are achieved, particularly the interest of German and European funding authorities in a broad participation of society and of the European economy in publicly financed research results.

The general approach taken by Fraunhofer in handling intellectual property ("IP") is to create and safeguard a well-founded knowledge base, and also to realize the broadest possible scope of protection to help transfer this knowledge to a host of application fields.

The aim is to maintain value creation within the European Union and to strengthen the technological sovereignty of both Germany and Europe as a whole.

TRANSFER OF KNOWLEDGE AND INNOVATION

Fraunhofer does not participate on the market as a company itself. Instead, it offers its clients — in compliance with the regulatory frameworks, which include non-profit, state aid and foreign trade law — product developments and services in R&D projects or as licensed products.

Companies benefit from being able to safeguard additional market shares, gain access to new markets, optimize their product quality or prices and, ultimately, increase their competitiveness.

When rights to Fraunhofer IP are assigned, therefore, the aforementioned aspects must be afforded special consideration in order to safeguard the position of Fraunhofer as an attractive research partner over the long term — for the benefit of its clients and contract partners.

INTELLECTUAL PROPERTY AND RIGHTS OF USE IN CONTRACT RESEARCH

Typically, Fraunhofer transfers to its clients the ownership of the products, prototypes or other material objects developed on their behalf. They also obtain rights to Fraunhofer IP for utilization.

These are usually the application-oriented, non-exclusive, royalty-free or — optionally — application-oriented exclusive, royalty-bearing rights of use to the project results. Non-exclusive, royalty-bearing rights to pre-existing property rights (Background IP) are also granted, insofar as such rights are needed to utilize project results and Fraunhofer is legally permitted to do so.

In exceptional cases, the ownership or even unlimited exclusive rights to the Fraunhofer IP created on behalf of the clients are transferred or granted to the customer. The key factors in this case are the value to the patent and technology portfolio of Fraunhofer and the potential to use the project results in other fields of application or across other transfer pathways.

Cooperation partners in publicly funded or self-financed R&D projects are usually granted non-exclusive, royalty-free rights to use project results for the duration and implementation of the joint project, and also, subsequently, the option to non-exclusive rights of use in compliance with state aid law.

LICENSING AND SPIN-OFFS AS OTHER TRANSFER ACTIVITIES

Even beyond the contract research of Fraunhofer per se, there is a transfer of knowledge to society and to the business world.

In the case of the latter, this knowledge transfer takes the form of license agreements concerning intellectual property rights, software (under open source conditions in some cases) as well as know-how. To that end, needs-based contractual conditions are agreed with the licensees with due consideration for the requirements under competition and state aid law.

Fraunhofer sees licensing as a way of boosting the competitiveness of Germany and the European Union. It uses the revenues generated to finance future applied pre-competitive research of its institutes and research facilities.

Spin-offs are another important element that help Fraunhofer exploit the results of its research and development projects. Fraunhofer spin-offs lend strength and dynamic to Germany as a location. They initiate creative ideas and innovative business models for tapping into new markets and creating sustainable jobs.



PROCEDURE IN CASE OF IP INFRINGEMENTS

If there are grounds to assume unauthorized use of patents or other protected IP of Fraunhofer, a procedure is set out by applying suitable criteria. Only if no other agreement can be reached, a judicial enforcement of the rights must be deliberated on a case-by-case basis in order to protect the value of the intellectual property of Fraunhofer, both for itself and for its clients and licensees. This consolidates the position of Fraunhofer and promotes its political mandate.

These IP guidelines

- improve the innovation potential of Fraunhofer,
- open up Fraunhofer IP for a diverse range of applications,
- enhance the client's market position through tailored licensing opportunities,
- make a contribution to the competitiveness of Fraunhofer and its contract partners — both today and in the future.

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