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The impact of the reform of the Science Law on the ownership and exploitation of intellectual and industrial property rights

On 7 September, Law 17/2022, of 5 September, which amends Law 14/2011, of 1 June, on Science, Technology and Innovation, entered into force.

As stated in its preamble, this legal amendment seeks to undertake an institutional reform aimed at strengthening the capacities of the Spanish Science, Technology and Innovation System in order to improve its efficiency, coordination, governance and knowledge transfer.

In addition to other various new features (which are not the subject of this briefing), in this new legal text, we can find a recasting and updating of the system of ownership and exploitation of intellectual and industrial property rights in the public sector (Articles 35 to 38 of the Science Law).

Until now, this regime has been dispersed across a patchwork of rules. The law we are now analysing expressly cites the Science Law itself, the Sustainable Economy Law ("**LES**", Articles 53 to 56 of which are now expressly repealed and have been subsumed into the Science Law to avoid duplication), and the Organic Law on Universities. But it fails to mention perhaps the most relevant laws, such as the Patent Law, and the now outdated Royal Decree 55/2002. These specifically and comprehensively regulate the system for acquiring and exploiting the rights to inventions resulting from research activity in the public sector, and are not expressly repealed by this regulation (although they should be understood to be implicitly repealed in everything that conflicts with them, interpretative conflicts cannot be ruled out, particularly with the Patent Law, concerning the determination of which is the *lex specialis*, which should prevail over the more general legislation in cases of conflict).

Leaving aside other more programmatic rules, the main practical innovations that this rule introduces are the following:

(i) In contrast to the previous regulation, which was exclusively applicable to bodies and entities within the scope of the General State Administration, the current regulation includes the **Autonomous Communities**, in some cases on a mandatory basis and in others on a supplementary basis, filling any regulatory gaps that may exist.

(Ii) **Ownership** remains with the entity or institution of the researcher who has produced the result in the exercise of his or her functions, although some new features are included:

a. The previous regime was found in Article 54 LES, which applied to "*public research bodies, public universities, state public sector foundations, state trading companies and other research centres run by the General State Administration*". The new regime is contained in Article 35 of the Science Law and applies generically to "*the public agents of the Spanish Science, Technology and Innovation System*", which Article 3 defines as those state and regional entities that carry out or support research or innovation.

b. Unlike the previous regime, which only mentioned intellectual and industrial property, the new regulation also expressly includes trade secrets and plant varieties as ways of protecting the results of research activity.

c. Similarly, and as stated in the preamble of the new law, the new regulation "*provides for the participation in the profits generated by the entities for which the research and technical personnel who are the authors of the inventions work, for the exploitation of the results of the research activity*, expressly *establishing that the participation in profits will amount to at least one-third of such profits in the case of the research and technical personnel of the Public Research Bodies of the General State Administration and entities of the state public sector, and on a supplementary basis in the case of the research and technical personnel of the public universities and the research bodies of the Autonomous Communities*". The rule of one-third, which until now could be found in Article 4 of Royal Decree 55/2002, is therefore enshrined as a general rule and as a minimum requirement for research personnel.

d. Finally, the option for public entities to waive their entitlement to be a right holder is provided for, although such a waiver must be explicit and in writing. Ultimately, this provision of Article 35.1 of the Science Law seems to contradict the provisions of Article 21.3.2 of the Patent Law, which establishes that if a public body or entity does not notify the author of the invention of its intention to maintain its rights over the invention within three months, its right expires (tacit waiver), and the author or

authors of the invention may file the patent application. Therefore, if the Science Law were to prevail, the entity's silence would change from favouring the researcher to favouring the entity.

(iii) In relation to **contracts for the promotion, management and transfer of** research activity, the previous wording of Article 36 of the Science Law already provided that they are governed by private law and subject to the principle of freedom of contract. Company contracts, collaboration contracts and contracts for R&D services and technical assistance may be awarded directly (except for the provisions of the Public Sector Contracts Law). The new wording of this article adds option contracts (to explore business viability) and financing contracts to this list of private contracts, and establishes the supplementary nature of this regulation for agents who work for the Autonomous Communities or local administrations.

(iv) Regarding the rest of the **transfers to third parties** of the rights over the results, which were partially covered by Article 36 of the Science Law and Article 55 of the Sustainable Economy Law, the new Article 36 bis of the Science Law continues to recognise the application of private law to these contracts (applying the legislation governing the assets of Public Administrations to resolve doubts and loopholes), although this new regulation:

a. Removes the previous requirement of a prior declaration, by the relevant Ministry or University, that the right is not necessary for the defence or better protection of the public interest.

b. Maintains the (limited but flexible) list of cases in which a direct award may be made, to which is added the transfer of rights to spin-offs created or owned by the right holder himself or by his researchers.

c. In all other cases not included in the list, a procedure based on competitive tendering must be followed, although the award will no longer be based solely on economic criteria, but may also be based on criteria relating to the social impact of the exploitation of the results of the research activity or its dissemination.

d. The need to provide for better fortune clauses when the right is transferred to a private entity is maintained, but the need to provide for a right of reversion in cases of non-exploitation or exploitation contrary to the general interest is also added, as well as a reservation by the entity holding the right of a non-exclusive, non-transferable and free licence for use limited to non-profit teaching, health and research activities.

e. It establishes that this system may be applied on a supplementary basis in the Autonomous Communities and local administrations that lack specific regulations on the matter.

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