

Unconfirmed minutes

The University of Manchester

SENATE

Wednesday, 5 April 2006

Present:

Professor Gilbert (in the Chair),

Ms Barker, Drs Berk, Birse, Professor Brazier, Drs Brockhaus-Grand, Browning, Chantler, Professors Coombs, Eccles, Ford, Foster, Georghiou, Halfpenny, Humphrey, Dr McGovern, Miss Medforth, Dr Mellor, Professors Munn, O'Brien, Perkins, Rothwell, Mr Simpson, Dr Timmermann, Professors D Thompson and Thomson (26).

For unreserved business: Mr Ejaz, Students' Union

Invited: Professor Beattie (School of Psychological Sciences), Professor Gifford (School of Pharmacy and Pharmaceutical Science), Professor Glendinning (School of Mathematics), Professor O'Brien (School of Chemistry) and Professor Thompson (School of Mechanical, Aerospace and Civil Engineering).

In attendance: The Registrar and Secretary and the Student Experience Officer.

1. Minutes

Confirmed: Minutes of the meeting held on 1 February 2006.

2. Matters arising from the minutes

There were no matters arising that were not dealt with elsewhere on the agenda.

3. Statement by the President and Vice-Chancellor

The President and Vice-Chancellor provided an oral supplement to his written statement:

He was keen that members of Senate note the timetable for bringing forward any recommended changes to the *Manchester 2015 Agenda*. Senate would be invited to give consideration to any suggested revisions to the Agenda prior to final approval being sought at the July meeting of the Board of Governors.

He reported that the Faculties and Schools Conference had taken place. It had been very constructive with two key issues emerging. The first was the need to improve the level of contact and dialogue between Heads of Schools and members of the President's Senior Executive. While mechanisms for two-way communication already existed the ways in which these might be improved needed to be explored. Both Deans and Heads of School had a pivotal role in ensuring that communication was effective and collegial. Secondly, it had been acknowledged that communication, more generally, continued to be a challenge in the University. In recognition of this the Staff Survey, which was to be conducted for the second time at the end of April, would include a substantial section about communication. Particular

attention would be paid to the analysis of the results from this section and their comparison with those generated in 2004.

While there was nothing substantial at that stage to report with regard to the AUT national strike the University was seeking to maintain good formal and informal working relationships with the local AUT leadership and to keep staff and students well informed about the action and the University's position in respect of it.

Local pay and grading negotiations had continued and while staff represented by the AMICUS South branch had now voted in favour of the Interim Pay and Grading Agreement proposed by the University no agreement had yet been reached with UNISON or with the AMICUS North branch.

It was with regret that he had to report that the University had reluctantly agreed to accept the HEFCE offer of 17 additional home dental student places, with only one of those places being funded. This had been a pragmatic decision taken in order to ensure that the future funding of the Dental School was not jeopardised. This might have been the case had the University continued to refuse the numbers being offered.

Enclosed for information was a preliminary draft Ethical Investment Policy that had been prepared following discussions with student representatives. A final draft would be presented for consideration by Senate at a future meeting following wider consultation with both staff and students. Members of Senate should send any comments and views on the draft directly to the Office of the President and Vice-Chancellor.

He was pleased to announce that Professor Nigel Vincent, Mont Follick Professor of Comparative Philology in the School of Languages, Linguistics and Cultures had been appointed Associate Vice-President for Graduate Education, in succession to Professor Gerald Hammond, with effect from 1 September 2006. Similarly, Professor Maynard Case, Brackenbury Professor of Physiology in the Faculty of Life Sciences had been appointed Associate Vice-President for Compliance and Risk Management with immediate effect.

Finally, the Board of Governors had approved a proposal that the Manchester Interdisciplinary Biocentre Building be named after Professor John Garside, in recognition of his contribution to the establishment of the single University. This decision was consistent with the recently approved Policy on the Naming of University Buildings.

4. Vice-President (Research)

Reported:

- (a) That despite recent announcements that had indicated that in the future the Research Assessment Exercise would be replaced by a metric analysis model the general feeling was that the forthcoming exercise would go ahead in its current format not least because there was insufficient time to agree an alternative. The University's planned external reviews of research, therefore, would proceed.
- (b) That the Board of Governors would continue to consider the governance arrangements for University research institutes.
- (c) That the allocations of a £5 million University research fund had been agreed by the Associate Deans for Research. The funds would be used predominately to recruit new staff, purchase equipment and refurbish research facilities.

Received: a copy of the *University Code of Practice for Dealing with Allegations of Misconduct in Research* together with the *Principles of Good Research Conduct*.

Noted:

- (a) That although the Code of Practice for Dealing with Allegations of Misconduct in Research had been approved by the President, members of Senate were now invited to comment both on it and on the companion document, Principles of Good Research Conduct.
- (b) That the views of the AUT and the Students' Union on both the Code and the accompanying Principles would be very welcome.
- (c) That the word "appropriate" had been included in the Code of Practice on advice from the University's solicitors and in recognition of the variation in practice that exists across different disciplines with respect to matters such as the recognition of co-authorship.

5. Vice-President (Teaching and Learning)

Reported:

- (a) That the University would be subject to a QAA Audit of Collaborative Provision in the autumn which will cover all learning provision delivered collaboratively with external partners where students do not start and/or finish their programme of study at the University. Examples of activity that will be covered by the Audit include franchising activity and 'two plus two' arrangements. Student placements and years abroad will not be included. While collaborative provision provides a wider range of learning opportunities for students the involvement of collaborative partners could expose the University to a greater degree of risk than would normally be the case. It was essential, therefore, that the University had in place appropriate arrangements to record its collaborative provision and to assess and manage any potential risks associated with it. The Teaching, Learning and Assessment Office was compiling a register of collaborative provision. In preparation for the Audit the University was required to produce a self-evaluation document. Since this was due to be submitted to the QAA in June, a draft of the document would be circulated for comment to members of Senate during the week of 10 April with responses to be returned by 5 May.
- (b) At the start of the academic year an OMR and the requisite software had been purchased by the University in order to improve the way in which the unit questionnaires were handled and processed. A number of problems with the analysis of the results from the Semester 1 unit questionnaires had been experienced by several Schools. While steps had been taken immediately to remedy the specific issues that had arisen it was acknowledged that the process for managing the questionnaires would need to be reviewed further to determine what other improvements were needed and to consider whether it could be automated more effectively.

6. Intellectual Property Policy and Policy on Outside Work

Received: a summary of the conclusions of the reviews recently conducted of the *Intellectual Property Policy* and *Policy on Outside Work and Consultancy*.

Reported:

- (a) That the review of the Intellectual Property Policy had been conducted by the Chief Executive of UMIP and Eversheds LLP and concluded that the policy had been functioning effectively since its launch in October 2004 and that no issue had arisen which had undermined its integrity. When viewed overall and in comparison to other universities, the policy was the most generous in terms of revenue-sharing. It was concluded that the University's exposure to risk arising from the documentation used to commercialise intellectual property could be reduced through further elaboration in respect of warranties and guarantees. A proposed Intellectual Property Warranty/Guarantee/Pipeline Policy had been drafted for preliminary consideration by Senate prior to submission to the Board of Governors for approval.
- (b) That the review of the Policy on Outside Work and Consultancy had been undertaken by the Knowledge Transfer Manager. The review had found that the policy had been functioning effectively since its launch and that no issue had arisen which had undermined the integrity of the policy. The procedures to enhance the implementation of the policy were progressing e.g., the creation of a web-based permission form to enable Heads of School to review and approve requests from members of staff had been piloted in one School. While the policy provided details of the procedures for registering consultancy or outside work it was recognised that it did not assist the University in presenting or marketing itself externally or as a source of consultancy expertise. The Chief Executive of UMIP would review this and submit a report to the next meeting of Senate.

During the subsequent discussion it was noted that some guidance about whether membership of Research Council panels and company directorships fall within the scope of the Policy on Outside Work and Consultancy would be welcomed.

Resolved: to endorse the Intellectual Property Policy, subject to the addition of the Intellectual Property Warranty/Guarantee/Pipeline Policy attached as an appendix to these minutes, and the Policy on Outside Work and Consultancy.

7. HEFCE Recurrent Grant for the 2006-07 academic year

Received: an analysis of the University's HEFCE recurrent grant for the academic year 2006-07.

Noted:

- (a) That in 2006-07 HEFCE is to provide £6,706 million for teaching and research, a cash increase of 5.9% compared to 2005-06, which represents just under a third of the University's total income.
- (b) That despite significant increases for the sector to support widening access and to improve student retention the University's aggregate total grant for these activities had fallen by 6.6% to £2M. This would have a significant impact in the area of disability support for students, which was of real concern given the recent changes in the disability legislation.

- (c) That the analysis assumes a total income from student fees of £21M for 2006-07.

8. Membership of Senate in Category 4 [Co-opted members]

Further to confirmation of their appointments by the University to the positions indicated, the following persons were **approved** for membership of Senate in Category 4 [Co-opted members] with effect from the next meeting:

Dr Maria Balshaw, Director of the Whitworth Art Gallery
Dr Nicholas J Merriman, Director of the Manchester Museum

9. Matters for report to Senate

- (a) Report of elections to the Senate from 1 September 2006.

The following have been elected with effect from 1 September 2006 to 31 August in the year indicated:

Faculty of Engineering and Physical Sciences (6 places)

- Professor Andrew D Ball (2009)
* Dr Philippa K Browning (2009)
Dr Gregory F Lane-Serff (2008)
Professor Lin Li (2007)
Professor Richard D Snook (2009)
* Professor Colin Webb (2009)

Faculty of Humanities (5 places)

- Professor David M Farrell (2009)
* Professor Kenneth Green (2008)
Professor Jill C Rubery (2009)
Professor Graham J Ward (2009)
Dr Alan V Williams (2009)

Faculty of Life Sciences (3 places)

- Professor R Maynard Case (2009)
* Professor David R Garrod (2008)
Dr Susan J Kimber (2009)

Faculty of Medical and Human Sciences (5 places)

- * Dr Eric N Chantler (2007)
Dr Ivan Leudar (2009)
* Dr Anthony C Mellor (2009)
Ms Heather V Sigley (2009)
Dr Ann B Wakefield (2008)

- Notes:* (i) ‘*’ denotes a member re-elected.
(ii) Duration of appointment has been determined by lot.

(b) Report on the exercise of delegations on behalf of Senate and the Board of Governors.

(i) Appointment of the Director of the Whitworth Art Gallery

The following appointment has been approved on behalf of Senate and the Board of Governors:

Maria Balshaw, BA (Liverpool), MA, DPhil (Sussex), at present Director of Creative Partnerships Birmingham (a Department of Culture, Media and Sport creative education programme), as Director of the Whitworth Art Gallery from 19 June 2006.

(ii) Professorial appointment

The following appointment has been approved on behalf of Senate and the Board of Governors:

Chair of Comparative Transatlantic Studies

João Cezar de Castro Rocha, MA, PhD (Rio de Janeiro), at present Associate Professor of Comparative Literature at the State University of Rio de Janeiro, as Professor of Comparative Transatlantic Studies (in the School of Languages, Linguistics and Cultures) from 1 September 2006.

(iii) Change of a professorial title

A change in the professorial title held in the School of Medicine by Professor Alan Jackson has been approved on behalf of Senate and the Board of Governors, such that it should be 'Professor of Radiology' (*in lieu* of Professor of Neuroradiology).

(iv) Grant of the title of Professor Emeritus(a)

Acting on behalf of Senate and the Board of Governors, the President and Vice-Chancellor has approved the conferment of the title of Professor Emeritus(a) on the following:

Professor Richard F Heller, Professor of Public Health (in the School of Medicine) (*from 1 August 2006*).

Professor Grace M Jantzen, Research Professor in Religion, Culture and Gender (in the School of Arts, Histories and Cultures) (*from 1 February 2006*).

Professor David McLeod, Professor of Ophthalmology (in the School of Medicine) (*from 1 April 2006*).

10. Any other business

There was no other business.

THE UNIVERSITY OF MANCHESTER

IP WARRANTY/GUARANTEE/PIPELINE POLICY

The University has a duty to develop policies and support services which create the best possible environment for intellectual property (IP) to be created and to be transferred into practical use. The University, however, as a charitable organisation has to be careful not to expose itself and to safeguard its assets from unnecessary risks. Any contract in which the University is being asked to make a representation or give a warranty, indemnity or guarantee could potentially expose the University to risk. It therefore, needs to be reviewed, in the case of IP contracts, by the Research Office and/or The University of Manchester Intellectual Property Limited (UMIP) and/or the Contracts Services Office.

In this Policy the difference between the most common types of obligations that might be contained in a contract, such as warranties, are explained. This Policy then goes on to set out the University's approach to such obligations and its risks under them.

Types of Obligation

- *Warranty*

A warranty is a promise made in a contract. If a warranty is not true it will result in a liability to pay damages. The damages will be such amount as would put the party, to whom the warranty was given, into the position that they would have been in if the warranty had been true. So if the University warrants that it owns a patent and it does not, the damages would not be the amount that the University has been paid for the patent but what the patent would have been worth to the party which bought it. This could of course be much more than the University was paid.

Damages cannot be too remote. So, say, if a buyer of a patent was negotiating to grant a very remunerative licence but the University knew nothing about it, then the loss of the royalty income might not be claimable. There is also an obligation on the other party to mitigate its loss. So if the buyer of a patent were able to obtain a licence from the true owner to use the patent, that might limit its losses and it could be expected to do that.

- *Representation*

This is a statement of fact to another person, which the other person relies on. It can be made before the contract has been entered into or in the contract itself. If the representation is not true, the person to whom it was made will have a claim for misrepresentation. They will either have a claim for damages or on rare occasions rescission (cancellation) of the contract. Damages will often be the same as for a breach of warranty but can sometimes be different.

- *Guarantee*

A guarantee is where the University accepts responsibility for an obligation, if the entity with primary responsibility for the obligation does not meet it. This may be asked for, say, where a wholly-owned subsidiary of the University enters into a contract and the other contracting party wants some further comfort that the subsidiary will perform its obligations. As a charitable institution the University must be receiving some benefit out of giving the guarantee, otherwise it could be prejudicing its charitable status.

- ***Indemnity***

This is an agreement in a contract to compensate another person for its losses. Where an indemnity is given by the University it is liable on a pound for pound basis for the losses incurred by the other party, even if those losses were remote or could have been mitigated against. In other words, liability under an indemnity is likely to be higher than under a damages claim.

University Approach

Where the University is commercialising its IP in any way, it may be asked to enter into some obligations to support its position. This is most likely to arise in the context of IP assignments or licences, but can also sometimes arise in a context of other agreements surrounding spin-out companies, which are acquiring some IP of the University or in R&D agreements, where a sponsor is acquiring some rights in IP. The University's approach is that where the third party is providing real value to the University, it will back up the IP which it is putting into the deal with some limited warranties.

- ***Indemnity***

It is not the University's policy to give IP indemnities because of the increased liabilities involved.

- ***Representation***

The University also does not wish to give representations, because of the complexities that can arise with them. Any pre-contractual representation must be excluded by what is often known as an "entire agreement" clause. If the other party to the contract strongly believes that any representation is particularly important, then it should be discussed specifically with the University and the University may in exceptional circumstances consider giving an equivalent warranty, subject to being recompensed for its increased risk as set out below.

- ***Warranty***

The warranties that the University is prepared to give will vary slightly depending upon the nature of the transaction. Essentially they will comprise a limited warranty that:

- the University owns the IP in question; and
- the University has not previously assigned or licensed the IP in such a way as would prevent the current contract being entered into.

The warranty of ownership must be limited to the awareness of the University and that awareness should be based solely upon information supplied by named individuals. The University is a rather open and disparate organisation and cannot be expected to know everything that each of its employees knows.

The University is sometimes pressed for additional warranties. As the return that the University obtains for its IP (whether income, capital or shares in spin-out companies) is relatively small compared to that which will be achieved by its commercial collaborators, its policy is not to give them. As it is usually impossible for the University to be one hundred per cent certain that such additional warranties are true, it would be increasing its risk if it were to give them.

Examples of additional warranties which may be asked for are:

- The IP is not encumbered in any way.
- The other party's use of the IP will not infringe any third party rights.
- The IP is valid.

All these warranties increase the University's risk.

Encumbrances can arise in many ways, sometimes without the University's actual knowledge. The University may not be aware of the third party rights which its IP infringes e.g. a third party patent. Such a patent may not even be published at the date the warranty is requested. Only the Courts can ever say whether IP is actually valid and so the University cannot warrant validity. If the University decides that any additional or enhanced warranty may be given, such warranty will need careful phrasing and the University must receive some additional value for its increased risk. Even warranties qualified by the knowledge of individuals carry risk as they may require those named individuals to recall something which may have seemed insignificant at the time.

Sometimes obligations appear in the contract by the use of the phrase "full title guarantee" or "limited title guarantee". The obligations on the University that would be imported into the contract by use of these phrases are set out below:

with full title guarantee	with limited title guarantee
The University has the right to dispose of the IP	The University has the right to dispose of the IP
The University will, at own cost, do all it reasonably can to pass title to such IP	The University will, at own cost, do all it reasonably can to pass title to such IP
The University is disposing of the IP free of all charges, encumbrances and rights exercisable by third parties, other than those which it does not and could not reasonably be expected to know about.	The University has not, since the last disposition for value of the IP, created any charge or encumbrances or granted any third party rights which are still subsisting. Nor has it allowed anyone else to do so, and is not aware that anyone else has done so.

These go beyond the warranties/obligations which the University is prepared to offer and cannot be accepted as they do not include any of the necessary limitations which the University would require. The issues can all be covered by the limited warranties discussed previously and by a "further assurance" clause (see below).

It is also important to be aware of assignments of IP which assign "all rights, title and interest" in the IP. The University should only ever assign "its right, title and interest" in the IP and then back it up with the limited warranties discussed previously.

Definition of IP

It is always safer when the IP assignment or licence assigns or licenses a specified list of IP. Where it is possible to include a specific list this must be done.

However, sometimes a more generic definition of IP is used and in these cases the University needs to be very careful. Such definitions can sometimes include references to things which are not strictly IP, such as domain names and know-how. As these are not proprietary rights the University cannot own them and, therefore, cannot give any warranty of ownership. In the case of domain names it may be able to warrant that, so far as it is aware (see above), it is the registrant of the domain name. In the case of know-how it may be able to give some limited warranty that, so far as it is aware (see above), the know-how has only been communicated to third parties under the terms of confidentiality agreements.

Further Assurance

Many agreements contain a clause which is often known as a “further assurance” clause. This deals with where the University might commit to give some assistance later on in relation to the IP. These sorts of clauses are intended to cover things such as the need to sign Patent Office forms to register an assignment of patents.

It is important always to check the wording of these clauses to make sure that further assurance is at the cost of the other party. In addition, the University should only be giving further assurance to give the other party the rights to which it is entitled under the relevant contract. Some contracts will include clauses, which purport to say that the University will assure that the IP is vested in the assignee. As this can effectively be a back door warranty of ownership it must be avoided.

Limitation of Liability

Where the University has entered into warranties or given other commitments to the other party to a contract it should limit its liability. That liability should be limited to the financial benefit which the University receives at the time of that contract. For instance, where IP is being assigned, then the University would expect its liability under the contract limiting to the amount of the cash consideration (excluding any VAT) which the University has received. In the case of a licence, it would be linked to royalties received over a specified period. For spin-out companies it will be capped at such percentage of the level of third party investment being made at that time (even if further investments are made subsequently) as the University’s shareholding bears to the total issued equity share capital of the spin-out company immediately following such third party investment. It must be made clear that if further investment is made into the spin-out company later then the University will not give further warranties at that stage, nor will its liability increase.

The University would also expect to limit the time within which any claims must be brought. The University expects that any claims for a breach of warranty would be brought within no more than two years of the date of the contract and in any event within six months of the other party becoming aware of the issue which gives rise to the claim.

The University needs to make sure that the limitation of liability is wide enough to cover liability under all provisions of the contract. Any limitation of liability should always be checked by the Research Office/ UMIP/Contracts Services Office, as incorrect phraseology can make the limitation of liability provision void.

Each contract must make it clear that any pre-contract discussions must be included in the contract to be binding. Neither the University nor UMIP will be liable for any pre-contract representations (see above). UMIP acts merely as agent for the University and must have no liability in relation to the contracts which it helps negotiate.

UMIP is a company which is wholly-owned by the University. It is a separate legal entity from the University, funded principally by a fee arrangement (through contract) with the University and from its own independent consulting and grant winning activities. Its main tasks are:

1. The recordal and evaluation of ideas generated from The University of Manchester research base;
2. Promoting suitable opportunities that UMIP has selected;
3. Recommending investments to the University and negotiating and arranging such investments and similar transactions on behalf of the University;
4. Project management of spin-outs and licences;
5. Acting as the University's nominee to some of the spin-outs.

In performing these tasks UMIP is acting for the University. It is not acting on anyone else's behalf. Any party receiving information from UMIP is responsible for making its own decision on it and must acknowledge this position. Liability can only arise in relation to an express warranty given by the University (see above). Each contract must make it clear that any pre-contract discussions are only binding to the extent they are covered by express warranty given by the University (see above).

Pipelines

Pipelines are created where the University grants automatic IP rights to future technology arising from the University to a licensee or spin-out company. Great care needs to be taken with Improvements clauses in agreement to ensure that pipelines are not set up inadvertently.

Pipelines often appear attractive at the time that a licence of IP is entered into or a spin-out company is created. It is common for licences of IP between companies to include Improvements clause which effectively set up pipelines. However companies are rarely in the business of creating improvements and so Improvements tend to be minimal, whereas university research is all about creating Improvements, if not quantum leaps.

Giving away such Improvements is giving away an asset of the University for nothing. As a charitable institution the University cannot do this. It may be argued that the University is getting something in return as part of the overall package of the licence, but that is always difficult to judge at the time.

The argument often put forward by licensees and spin-out companies is that the University has a vested interest in the licence/spin-out-company and so why would it seek to let a third party have access to Improvements or new but related technology. This may be correct and if it is the University will do a deal with the licensee/spin-out company at the time. The same argument works in reverse in that licensee/other shareholders in the spin-out-company also have a vested interest in the licence/spin-out-company but if they have more useful assets afterwards e.g. cash, they have no obligation to put them free of charge into the pot.

Improvements or new but related technology may also have been created by individuals who were not originator(s) or who were not all originator(s) of the original technology. Why should they be tied into the pipeline arrangement? Why should their ability to commercialise their IP be so limited?

It does also happen that the licensee/spin-out company may fall out with some or all of the originator(s) of the original technology. People within organisations change. Organisations move on. If the all originator(s) of the original technology are tied into a pipeline in which they have no interest it will demotivate them and undermine their desire to undertake research in that field.

Where in exceptional circumstances a pipeline is to be created it should be carefully limited to a narrow technical field and to IP developed by specified individuals within the University. The period for which the pipeline continues should also be limited. Specialist advice should be sought. The University cannot give away IP free of charge and so it must receive some benefit in return for the pipeline, financial or otherwise.