

# higher education dispatches

issue 4 - December 2010

higher education law news from Blake Laphorn

## in this issue...

spin-outs – decline and fall in the new economy?

new public sector duty and increased discrimination protection under the Equality Act 2010

patent strategy for an early positive indication of patentability

does the Freedom of Information Act pose a risk to university research?

implications of changes to the Carbon Reduction Scheme

positioning for true differentiation in the post-Browne era

Blake Laphorn appointed to London universities panel

## spin-outs – decline and fall in the new economy?

As universities come to terms with the immediate aftermath of the CSR (not least the need to deal with the fallout from the tuition fees debate) the fact that research funding has been maintained in real terms has largely been lauded as one of the few successes for the sector in the Chancellor's announcements.

As one of the 'jewels' in the UK's economic crown, university based research will undoubtedly play a crucial part in shaping the UK's future prosperity. However, for universities now facing funding cuts

across the rest of their activities a key issue over the next few years (and longer) will be whether and how direct income can be generated more efficiently from their research bases.

Commercialisation of university generated IP has climbed steadily up the HEI agenda throughout the 1990s and 2000s as the wider HE community has attempted to emulate the successes of higher profile institutions in spinning out their campus-developed technology. With a commercialisation function now forming part of the administrative fabric of most UK



the natural choice in law

 Blake  
Laphorn

As one of the 'jewels' in the UK's economic crown, university based research will undoubtedly play a crucial part in shaping the UK's future prosperity.

HEIs, and in the light of the savage cuts to teaching budgets, most universities are being forced to reassess how they can best apply limited resources to the generation of impact.

In the recent past many universities have focussed on the spin out model as a preferred method of bringing university IP into the private sector. In this model the IP is taken into a corporate vehicle in which the university is likely to be a major shareholder, with the researchers who developed the IP also often being given an equity stake (protected from any immediate tax charge under the sched 4A ITEPA researchers' tax exemption). On the face of it equity is an attractive option given the potential high returns and the prestige that can be associated with spinning out a successful venture. However, when the model is examined more closely there are some very persuasive reasons why the spin out model is not always appropriate.

Quite apart from the well-known commercial risks associated with equity investments in start-up ventures, universities also face a less obvious cash flow problem inherent to the spin-out model: In the normal course a spin out would not be in a position to fund itself from day one and as a result would remain "under the wing" of the university until it was capable of generating the necessary funding from elsewhere. Even in circumstances where the IP is not formally transferred to the spin out until a funding event has occurred, the university will often remain liable to pay patent costs, administration and professional fees in relation to the project during the fundraising period. This can have a significant impact on university budgets, particularly now, in the current economic climate, when fundraising is even more difficult and gestation periods are much longer. As a result many universities are actively prioritising alternative commercialisation routes.

One of these alternatives remains licensing. Having been seen as less attractive to spin-outs on the basis of its perceived lower returns, licensing is now coming back to the fore as universities recognise that adopting a lower risk, lower return approach can add up to a more successful portfolio in the long term. This shift in approach is illustrated by HESA's statistics for the periods 2007/08 and 2008/09. According to HESA, the number of spin outs completed by UK universities has dipped from 221 (07/08) to 191 (08/09) and the number of completed licences over the same reporting periods has grown from 3,193 to 4,463.

Generally speaking a licensing deal:

- is easier to negotiate and easier to administer
- does not require board level participation in the commercialising venture by the university and, importantly
- can be much more readily templated allowing for repeated use of the same basic documentation.

It also has the benefit of being capable of entry at a much earlier stage, effectively passing some of the development risk to the licensee.

Spin-outs will always have a place, particularly within the largest research-led universities where the experience and expertise exists to evaluate and assess the potential of technology more readily. However, outside these institutions we believe other universities will revert to licensing as the norm: providing less risk averse universities with an opportunity to accept equity as part of the licence fee but, importantly, whilst still preserving one of the key licence benefits: limiting a university's obligation to fund the venture during the fundraising period.

#### CONTACT:

For more information contact **Martin Kay** at [martin.kay@bllaw.co.uk](mailto:martin.kay@bllaw.co.uk) or T: 020 7814 6919

the natural choice in law



## new public sector duty and increased discrimination protection under the Equality Act 2010

It is important for higher education institutions to take steps now to ensure compliance with those parts of the Act already in force and also to prepare for the new Equality Duty.

On 1 October 2010, the majority of the provisions of the Equality Act 2010 (the Act) came into force. The purpose of the Act is to consolidate and strengthen the law, as well as to introduce some new requirements.

At the core of the Act are the “protected characteristics”, which are: age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, and sexual orientation. The purpose of the Act is to protect all individuals possessing any of the protected characteristics from discrimination, victimisation or harassment by their employers, HEIs, public authorities, service providers and various other persons and organisations.

The Act extends the protection available to individuals possessing the protected characteristics by introducing new definitions of the concepts of direct discrimination, indirect discrimination, harassment and victimisation. For example, direct discrimination is defined to include less favourable treatment of an individual “because of” a protected characteristic. This includes discrimination based on association (ie where an individual is treated less favourably because they are associated with someone with a protected characteristic) or perception (ie where an individual is treated less favourably because of a mistaken belief that they have one of the protected characteristics). Previously, protection based on association or perception was only applicable to race, sexual orientation and religion or belief.



the natural choice in law

 Blake  
Lapthorn

The Act extends this to cover all of the protected characteristics (with the exception of marriage and civil partnership). Another example is the re-definition of the concept of harassment, which now includes the additional offence of unreasonably failing to prevent harassment by a third party.

Key provisions that came into force in October and which affect HEIs include Parts 5 and 6 of the Act. Part 6 replaces previous anti-discrimination law relating to education and Part 5 applies to all employers. The provisions under Part 6 of the Act prohibit the governing body of a HEI from discriminating against students in respect of its admissions arrangements and in relation to the way in which it provides education and associated benefits, services and facilities. The term "students" includes prospective students (in relation to admissions), students at the institution (including those absent or temporarily excluded), former students (if there is a continuing relationship), and disabled people who are not students at the institution but who hold or have applied for qualifications conferred by the institution.

The provisions of the Act under Part 5 broadly reflect previous law affecting employers. However, there are some key changes, including: (a) banning so-called 'pay secrecy clauses', which prohibit discussions about pay between colleagues or with ex-colleagues, where those discussions are intended to reveal suspected discrimination; (b) phasing out the default retirement age; and (c) permitting employers to take "positive action" before or at the application stage, in order to encourage people who share particular under-represented protected characteristics to apply for vacancies, or to help people with particular protected characteristics to perform to the best of their ability. (The power to take positive action also applies to HEIs in relation to the admission of students.)

In April 2011 a new overarching public sector Equality Duty will come into force under Part 11 of the Act. This will extend existing obligations to positively promote equality (not just avoid discrimination) for all public authorities, including most HEIs. Public authorities are already subject to three separate public sector equality duties, designed to tackle discrimination and promote equality in the fields of race, disability and gender. The current legislative framework for these public sector duties includes, in each case, a general duty and a number of specific duties. The general duty, which is the duty to have "due regard" to the need to eliminate discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between different groups, states the broad objectives that public authorities must strive to achieve. The specific duties build on this by setting out certain steps designed to help public bodies satisfy their obligations. Examples of specific duties include maintaining written policies and schemes, keeping these under review and publishing reports on progress. Most HEIs are "public authorities" for the purposes of this pre-Equality Act legislation and so are already subject to these public sector duties.

The key changes under Part 11 are that the existing separate duties will be replaced by a single overarching public sector Equality Duty, which will: (a) apply to all of the protected characteristics (with the exception of marriage and civil partnership); and (b) utilise the new definitions of direct discrimination, indirect discrimination, harassment and victimisation. This will considerably expand the scope of the public sector duties. In addition to the general duty set out in the Act itself, it is likely that a number of specific duties will be introduced under subordinate legislation to reinforce and support the new overarching general duty. The precise scope of these specific duties is currently unclear, but we expect to see similar policy, assessment



and reporting requirements to those currently in force. Public authority employers with 150 or more staff will also have to report on gender pay, ethnic minority and disabled employment as part of the Equality Duty.

It is important for higher education institutions to take steps now to ensure compliance with those parts of the Act already in force and also to prepare for the new Equality Duty. In particular, they should review existing policies and procedures, review recruitment procedures and documentation, and ensure all employees receive appropriate training on the changes to the law.

The education team can assist HEI's to audit the organisation for compliance with the Act and advise on the organisation's duties as a public authority. It can also assist with a review of existing policies and procedures and provide recommendations for reform or re-drafting any documents that need updating. In addition, the team can provide training for employees, particularly in respect of discrimination based on association or perception, harassment by third parties, and disability discrimination (which are all key areas of change under the new Act).

You can see our employment client guide by visiting our website at:

[http://www.bllaw.co.uk/services\\_for\\_businesses/employment/guides\\_and\\_information\\_sheets.aspx](http://www.bllaw.co.uk/services_for_businesses/employment/guides_and_information_sheets.aspx)

#### CONTACT:

For further information contact **Alison Talbot** at [alison.talbot@bllaw.co.uk](mailto:alison.talbot@bllaw.co.uk) or T: 01865 254241

## Blake Laphorn appointed to London universities panel

**B**lake Laphorn is delighted to have been appointed to the Legal Services Panel for the London Universities Purchasing Consortium (LUPC). The firm is on the Panels for both

the Commercial and Regulatory lots for the Consortium, which has members from across the universities sector, as well as many other education providers, museums and libraries.

#### CONTACT:

For more information or to discuss the services Blake Laphorn could provide to your organisation, please contact **Martin Kay** at Blake Laphorn on 020 7814 6919 or by email at [martin.kay@bllaw](mailto:martin.kay@bllaw).



the natural choice in law



# patent strategy for an early positive indication of patentability

The PCT approach slows things down.

This is great for keeping options open but on its own tends not to give a definitive answer on patentability at an early stage.

Obtaining patent protection is often a long-drawn-out process. Slowness can sometimes be valuable for applicants, as it keeps options open, defers final decisions on technical scope of protection, and pushes back major expenditure. Often it is desirable to obtain a licensee and funding for the later, more expensive, stages of the prosecution. However, in the assessment of whether any given technology will be an attractive prospect for licensees, a key factor can be the existence at an early stage of a positive indication of patentability from a patent office. So, how might this be achieved?

The traditional route to an international patent programme begins with an initial application. The applicant then has a year in which to decide on where else to file. It is common then to file an international (PCT) application, which gives an option to file later on in many countries, and then await a prior art search from the international authorities. However, is this the right approach in all cases, especially when a licensee is sought?

The PCT approach slows things down. This is great for keeping options open but on its own tends not to give a definitive answer on patentability at an early stage.

In parallel with a PCT application it could well be useful to file one or more carefully chosen national applications and accelerate their prosecution. The existence of a granted patent could lend a lot more weight to the patent programme as a whole.

For instance, if the eventual market for the invention is likely to include USA then a valuable investment can be to file early in USA and maximise chances of early grant in USA. The UK can also be a low-cost option for

taking an application through to rapid grant.

A recent useful development is the existence of a variety of “green channels” in a number of patent offices around the world, for inventions that fall into the cleantech sector. The UK’s “Green Channel” allows applicants to request accelerated processing of patent applications that relate to green technology. We recently obtained a granted UK patent for one of our clients via the Green Channel in only seven months from the filing of the application (and in that case the seven months even included several unavoidable delays on the client’s side).



Another approach is to maximise the prospect of a positive patentability opinion from the international authorities. If the prior art is well-known to the inventor(s) before finalisation of the international application then this prospect is much improved. A surprising number of patent applications are still filed internationally without a comprehensive knowledge of the prior art – especially surprising given that this is also the last stage at which new amendments and fallback positions can be added to the specification. There are a variety of ways to have an invention searched in a reasonably cost-effective manner, allowing the final application to be framed with knowledge of the most relevant prior disclosures, maximising the chance of defining a clearly patentable development.

## CONTACT:

This article was written by **Lucy Samuels**, a partner in the specialist Life Sciences and Chemistry team at **Gill Jennings & Every LLP**, a London-based firm of European Patent Attorneys and European Trade Mark Attorneys. For more information please contact Lucy at [gje@gje.co.uk](mailto:gje@gje.co.uk) or T: 020 7655 8500

the natural choice in law

 Blake  
Lapthorn



# does the Freedom of Information Act pose a risk to university research?

As public authorities, universities are, subject to certain exemptions, obliged to respond to requests from the public for information by indicating if they hold the information requested and, if so, providing the enquirer with a copy.

In a recent decision by the Information Commissioner (ICO) The Queen's University of Belfast was required to disclose previously unpublished research data to an unconnected researcher who had submitted a request under the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIR). This decision has caused concern in HEI circles with some academics concerned that their control over the decision as to when to publish could be lost. In this article we look at whether FOIA/EIR requests do, in fact, pose a threat to academics and if so, how big is that risk.

Universities are public authorities as defined in the FOIA, therefore, subject to it and the EIR (collectively the 'right to know' legislation). As public authorities, universities are, subject to certain exemptions, obliged to respond to requests from the public for information by indicating if they hold the information requested and, if so, providing the enquirer with a copy.

The fact that the 'right to know' legislation opens this door for anyone to seek disclosure of what would, in the private sector, be considered confidential data has led to fears that the potential leak of commercially sensitive information via a FOIA/EIR request is putting off private sector investors in university research. This together with the question of publication timing has meant that both academics and university administrators often fear receipt of a FOIA request. On closer inspection, however, these fears seem unfounded.

In relation to matters which may be subject to future publication, the FOIA is explicit. If the information is intended for publication (at a time determined or yet

to be determined at the date of the request) then it is exempt and disclosure can be withheld until after the publication is made (section 22 FOIA). With respect to commercially sensitive information, it is exempt if it represents a trade secret, or its release would harm the commercial interests of any person including the university (section 43 FOIA).

In the Queen's case, the enquirer sought raw tree-ring data collected over a long period by Queen's staff. The information sought did not include any analysis of the information, was not a trade secret and was of a type normally accessible via a free database (which Queen's had declined to use). The ICO took the view that Queen's attempts to block disclosure were mainly because the staff who collated the information treated it as their own private data. It was felt that this was insufficient reason to justify withholding disclosure.

It is worth noting that the FOIA also permits a public authority to avoid disclosure of information on a series of other grounds including where to do so is in the interests of national security, or the information is accessible by other means. It is also permitted to refuse to disclose if the cost of compliance with the request is unreasonable or if the request is vexatious.

In the Queen's decision the ICO was critical of the university's handling of the requests and its attempted use of inappropriate exemptions to justify its failure to release the data. It is clear, therefore, that dealing with FOIA/EIR requests requires expert knowledge but it also clear that the legislation is not the unfettered right to access valuable confidential data that some commentators may suggest.

## CONTACT:

For further information contact **Simon Stokes** at [simon.stokes@blaw.co.uk](mailto:simon.stokes@blaw.co.uk) or on T: 020 7814 5482

the natural choice in law

 Blake  
Lapthorn



# implications of changes to the Carbon Reduction Scheme

The estimated cost to the community of CRC participants of these announcements is estimated at £3.5 billion in the next four fiscal years.

Higher Education Institutions caught by the remit of the Carbon Reduction and Energy Efficiency Scheme are reeling from the unexpected announcement in the spending review of the scrapping of the recycling payments under the CRC. The recycling payments were a method by which a material percentage of the costs incurred in acquiring allowances were to be returned to Scheme participants (with the exact percentage being determined upon the league position of the participant). The Government will now be keeping the funds generated from the purchase of allowances by participants of the CRC to boost public finances.

The estimated cost to the community of CRC participants of these announcements is estimated at £3.5 billion in the next four fiscal years. Before the announcement, the cost to the worst performers under the Scheme would be £1.20 per tonne of CO<sub>2</sub> emitted (as the worst performers were still to receive a recycling payment of 90% of the £12/tonne allowances they purchased). Now, although the league tables will still provide a PR benefit to participants, even the good performers will lose 100% of the amount they pay to purchase allowances.

The effect of the announcement does clearly provide a strong and clear incentive for institutions covered by the Scheme to invest in energy efficiency.

The Environment Agency has published a statement that it is working with the government to understand the implications of the changes and we are to expect more information from them as it becomes available. It is now anticipated that the scheme will be simplified and that the first allowance sales for 2011/12 emissions will take place in 2012 rather than 2011.



In the meantime, participants of the CRC who had factored in the receipt of the recycling payments in determining their financial strategy for dealing with their CRC obligations should consider cash flow implications and bottom line cost to them of these announcements as a matter of priority.

## CONTACT:

For further information contact **Nicky McConville** on [nicola.mcconville@bllaw.co.uk](mailto:nicola.mcconville@bllaw.co.uk) or T: 01865 254221

the natural choice in law

 Blake  
Lapthorn



# positioning for true differentiation in the post-Browne era

The adoption of ‘cosmetic’ branding exercises (with simple strap-lines and use of logos/symbols rather than the more traditional crests) has been a symptom of this initial period of differentiation.

Communication has become extremely important to UK universities through recent years of significant change and increased ‘marketisation’. This communication can take many forms, but managing the effective communication of a university’s strengths to a complex set of stakeholders is arguably one of the greatest challenges.

The extent to which universities are distinct – and how effective they are at communicating their differences – is a hot topic that is set to get even hotter as we head into the realm of increased ‘competition through costs’ to be embraced by prospective undergraduates in the post-Browne era.

Whenever people have a choice (of spending time or money) there is inevitably competition between those who provide the relevant service, need or product. Competition therefore means that you are in a marketplace – and that you need to “stand out” in some way to help to steer those choices in your favour.

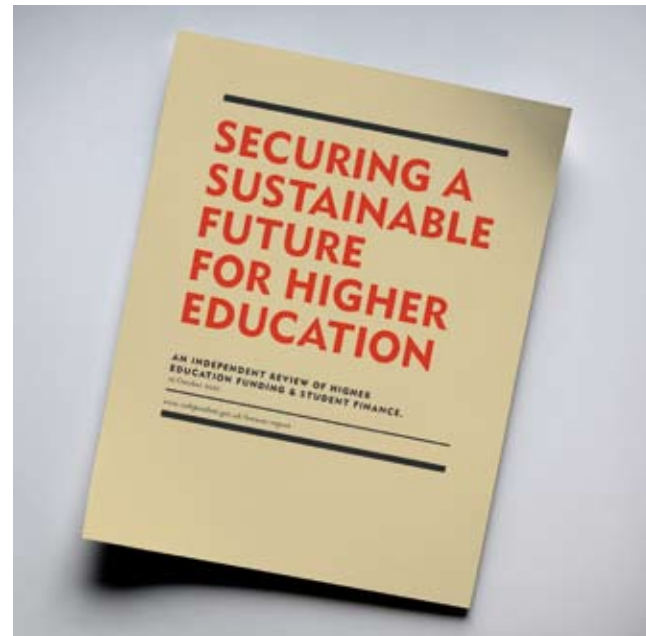
Many universities have recognised this and have invested in professional marketing practice over the years – but it’s the precise nature of what makes one university or college stand out from another that is often neglected.

In the early part of this century the New Labour Government set out the need for “greater explicit differentiation” in its higher education policy, but – by and large – institutions have tended to avoid having to address this differentiation: because this will mean ‘letting go’ of a part of their heritage or a stream of revenue.

The adoption of ‘cosmetic’ branding exercises (with simple strap-lines and use of logos/symbols rather than the more traditional crests) has been a

symptom of this initial period of differentiation.

What we’ll see next is a much more fundamental review of ‘what we as a university do better than elsewhere’ – and ‘where we will have the greatest returns for investing in these strengths’. The OU, Birkbeck and Cranfield are all institutions that have identified what they want to do differently in higher education and adjusted their whole organisation accordingly.



In our work as reputation consultants to the higher education sector, we’ve noticed increasing attention in the boardrooms of universities as to whether they should follow suit and take the major risk of being truly different by adopting a distinctive model of higher education.

Many would rather just avoid this discussion – fearing that the counter-side of such a decision would be having to cut, drop and remove certain parts of their portfolio and proposition – and thereby lose out on accompanying income and take a hit reputationally on the impact of letting go.

the natural choice in law

 Blake  
Lapthorn



We are heading into a very brave new world – one in which our universities will need to be much bolder about where they focus their efforts and attention. How long this will take is unknown – but undoubtedly the Browne Review - and the highly likely resulting increase in tuition fees – will inevitably lead to greater pressure on those making the choices at undergraduate level and therefore will stimulate an even greater demand to “stand out from the crowd”.

If the ‘cap’ comes off (which it still might – if not in the current Parliament but in future years) then this competition will really “explode” in a way that we have never seen before. Part of the differentiation dynamics will be variable pricing – and the link between ‘reputation’ and ‘proposition’ will be even stronger and more powerful.

#### CONTACT:

This article was written by Justin Shaw, director of the Education Practice at Communications Management, a strategic communications and reputation consultancy working in the HE, FE and schools sectors.

For further information contact **Justin Shaw** at **Communications Management** at [justin@communicationsmanagement.co.uk](mailto:justin@communicationsmanagement.co.uk) or T: 01727 737993

#### CONTACT:

If you want to speak to our team about any of the issues discussed in this bulletin, or any other higher education legal matter please contact **Martin Kay** or any of our experts directly.



Martin Kay, head of HEI sector group  
T: 020 7814 6919  
E: [martin.kay@bllaw.co.uk](mailto:martin.kay@bllaw.co.uk)  
[www.bllaw.co.uk](http://www.bllaw.co.uk)