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II

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COUNCIL

COUNCIL DECISION

of 27 January 1997

concerning the conclusion on behalf of the European Community of an Exchange of Letters recording the common understanding on the principles of international cooperation on research and development activities in the domain of intelligent manufacturing systems between the European Community and the United States of America, Japan, Australia, Canada and the EFTA countries of Norway and Switzerland

(97/378/EC)

THE COUNCIL OF THE EUROPEAN UNION,

HAS DECIDED AS FOLLOWS:

Having regard to the Treaty establishing the European Community, and in particular Article 130m, in conjunction with Article 228 (2), first sentence, and the first subparagraph of Article 228 (3) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament⁽¹⁾,

Whereas international cooperation in the domain of intelligent manufacturing systems will strengthen the scientific and technological bases of the Community in industry and will contribute to the competitiveness of Community industry;

Whereas a two-year feasibility study on international collaboration in the domain of intelligent manufacturing systems has proved that there is added-value in such cooperation;

Whereas the Council has authorized the Commission to negotiate a common understanding with the United States of America, Japan, Australia, Canada and the EFTA countries of Norway and Switzerland;

Whereas a common understanding in the form of an Exchange of Letters was reached with the third countries,

Article 1

The Exchange of Letters recording the common understanding on the principles of international cooperation in research and development activities in the domain of intelligent manufacturing systems between the European Community and the United States of America, Japan, Australia, Canada and the EFTA countries of Norway and Switzerland is hereby approved.

The text of the Exchange of Letters is attached to this Decision.

Article 2

The President of the Council is hereby authorized to designate the person empowered to sign the Exchange of Letters referred to in Article 1 in order to bind the Community.

Done at Brussels, 27 January 1997.

For the Council
The President
G. ZALM

⁽¹⁾ OJ No C 20, 20. 1. 1997, p. 371.

EXCHANGE OF LETTERS

recording the common understanding on the principles of international cooperation on research and development activities in the domain of intelligent manufacturing systems between the European Community and the United States of America, Japan, Australia, Canada and the EFTA countries of Norway and Switzerland

A. Letter from the Community

Brussels, 19 March 1997.

Sir,

I refer to discussions that have taken place concerning international cooperation on research and development activities in the domain of intelligent manufacturing systems (IMS) between the participants, i.e. the European Community, and the United States of America, Japan, Australia, Canada, and the EFTA countries of Norway and Switzerland.

The purpose of this letter is to record the common understanding reached on the principles of cooperation on IMS. The letter complements the Terms of Reference (ToR) developed by the International Steering Committee at the end of the IMS feasibility study in 1994 and modifies Article VIII of the ToR and Article 1.13 of Appendix 2 of the ToR as indicated below. The ToR, and the Appendices to the ToR, are annexed to this letter.

1. *Objective*

Participants will encourage and facilitate cooperation between entities, established within their territories (within the territories of its Member States in the case of the European Community), in the domain of intelligent manufacturing systems. Such cooperation should ensure a balance of benefits and contributions, be of industrial relevance and be based on the principle of mutual interest and understanding.

2. *Technical themes for IMS cooperation*

The cooperation will initially cover the following five technical themes:

- (a) total product life cycle issues;
- (b) process issues;
- (c) strategy/planning/design tools;
- (d) human/organizational/social issues, and,
- (e) virtual/extended enterprise issues.

Other themes within the scope of IMS may be envisaged, however, it should be ensured that new technical themes are consistent with government policies and industrial priorities of the participating regions.

3. *Forms and means of cooperation*

Cooperation will involve participation in projects by entities, in accordance with procedures adopted in common for the creation and operation of international consortia and may include visits, training and exchanges of scientists, engineers and other appropriate personnel for purposes relevant to the successful implementation and completion of the projects.

4. *Dissemination and utilization of information*

Intellectual property rights (IPR) resulting from projects carried out within IMS will be subject to the IMS/IPR provisions given in Appendix 2 of the ToR. This Appendix will be amended in Article 1.13 to reflect that Austria, Finland and Sweden are members of the European Union.

5. *Financing*

Financing of cooperative activities will be subject to the availability of funds and to the applicable laws and regulations, policies and programmes of the participating regions.

Each participant will cover its own participation.

Each participant will contribute, in funding or in kind, in an equitable manner to the execution of the functions and the costs of the interregional secretariat.

6. *Implementation of IMS*

Representatives of the participants appointed to the International Steering Committee (ISC) will act as the liaison between the ISC and their respective public administrations/governments. The representatives of the participants will monitor the implementation with respect to the purpose, principles and programme structure of IMS and they will have a facilitating role. In addition, they will have the following functions:

- facilitate good cooperation between the regional secretariats,
- exchange of information on local practices, laws, regulations and programmes relevant to the cooperation,
- facilitate participation of small and medium-sized enterprises (SMEs) directly and indirectly in the IMS programme. In particular this would include access to an electronic partner search facility and an electronic register of expressions of interest, and,
- present to government/public administrations for decision the recommendations of the ISC for the admission of new participants.

The participants will organize, manage or designate their respective regional secretariats. In particular, the regional secretariats will include the following responsibilities:

- facilitate the timely selection of projects at regional level, according to the rules and procedures in force in the participant's region,
- assist in consortium formation within and across respective regions, and,
- work with regional infrastructure groups to facilitate IMS.

7. *Duration*

The IMS programme will have a duration of 10 years, each participant may withdraw at any time subject to 12 months' notice. The participants will review the principles of their cooperation five years after its launch in order to see whether it should be continued, modified or terminated. This replaces Article VIII of the ToR.

8. *Implementation of IMS in Europe*

The European Community and Switzerland and Norway reserve the option to act together as a single European region, to be represented by a combined delegation on the International Steering Committee and to be supported by a single European IMS Secretariat.

The Commission of the European Community will provide the necessary support for its regional secretariat.

This letter, together with its acceptance by the participants, complements and modifies the ToR and records the common understanding on the principles of cooperation on IMS. I would be pleased to receive your early confirmation of this understanding.

On behalf
of the European Community

S. Micom

B. Letter from United States of America

Washington DC, 3 April 1997.

Sir,

I acknowledge receipt of your letter of 19 March 1997 which reads as follows:

I refer to discussions that have taken place concerning international cooperation on research and development activities in the domain of intelligent manufacturing systems (IMS) between the participants, i.e. the European Community, and the United States of America, Japan, Australia, Canada, and the EFTA countries of Norway and Switzerland.

The purpose of this letter is to record the common understanding reached on the principles of cooperation on IMS. The letter complements the Terms of Reference (ToR) developed by the International Steering Committee at the end of the IMS feasibility study in 1994 and modifies Article VIII of the ToR and Article 1.13 of Appendix 2 of the ToR as indicated below. The ToR, and the Appendices to the ToR, are annexed to this letter.

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3. Forms and means of cooperation

Cooperation will involve participation in projects by entities, in accordance with procedures adopted in common for the creation and operation of international consortia and may include visits, training and exchanges of scientists, engineers and other appropriate personnel for purposes relevant to the successful implementation and completion of the projects.

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The Commission of the European Community will provide the necessary support for its regional secretariat.

This letter, together with its acceptance by the participants, complements and modifies the ToR and records the common understanding on the principles of cooperation on IMS. I would be pleased to receive your early confirmation of this understanding.'

I have the honour to confirm that my Government is in agreement with the contents of your letter.

*For the Government
of the United States of America*

Mary L. Gandy

ANNEX

TERMS OF REFERENCE FOR A PROGRAMME OF INTERNATIONAL COOPERATION IN
ADVANCED MANUFACTURING

I. PURPOSE

This document sets forth the Terms of Reference for the participants in the intelligent manufacturing systems (IMS) programme for international cooperation in research and development in intelligent manufacturing systems. These Terms of Reference are not intended to create obligations under international or domestic law.

II. OBJECTIVES

Objectives of the IMS programme are as follows:

- A. to enable greater sophistication in manufacturing operations;
- B. to improve the global environment;
- C. to improve the efficiency with which renewable and non-renewable resources are used;
- D. to create new products and conditions which significantly improve the quality of life for users;
- E. to improve the quality of the manufacturing environment;
- F. to develop a recognized and respected discipline of manufacturing which will encourage the transfer of knowledge to future generations;
- G. to respond effectively to the globalization of manufacturing;
- H. to enlarge and open markets around the world, and,
- I. the advancement of manufacturing professionalism worldwide by providing global recognition and establishing an educational discipline for manufacturing.

In achieving its objectives, the IMS programme should be a catalytic agent for:

- A. global manufacturing cooperation involving large and small companies, users and suppliers, universities, and governments;
- B. the dissemination of the results of significant manufacturing improvements worldwide;
- C. the development of global manufacturing recommendations for standards through cooperative work on pre-standardization topics;
- D. the assessment and selection of priorities for global cooperation in manufacturing process development;
- E. the dissemination, understanding, and application of consistent guidelines, provisions and model agreements that respect intellectual property rights (IPR) of participants and project consortium partners.

III. BACKGROUND

Six participants took part in the feasibility study to define the IMS -programme. The participants are:

- Australia,
- Canada,
- the European Community (EC),
- the participating European Free Trade Association Countries (EFTA): Austria, Finland, Sweden, Norway and Switzerland,
- Japan, and,
- the United States.

The EC and the EFTA countries acted together as a single European region.

The participants completed the feasibility study as defined under the Terms of Reference for the feasibility study on international collaboration in advanced manufacturing.

The International Steering Committee for the feasibility study stated in their final report that the feasibility study proved an international cooperative programme in research and development in advanced manufacturing can be created that is equitable and beneficially structured, and provides equitable and beneficial outcomes.

The International Steering Committee for the feasibility study in its final report recommended the commencement of the IMS programme and proposed a management structure, technical themes, and intellectual property rights provisions for it.

IV. PRINCIPLES

Manufacturing is a primary generator of wealth and is critical to establishing a sound economic basis for economic growth.

The need for excellence in manufacturing operations has become critical as a result of the establishing of global markets.

The role of research and development in the field of advanced manufacturing is increasingly pivotal to manufacturing operations. Substantial research in advanced manufacturing is being carried out worldwide.

Properly managed international cooperation in research and development in advanced manufacturing can help improve manufacturing operations.

International cooperation in advanced manufacturing should proceed on the following bases:

- A. contributions to, and benefits from, such cooperation are equitable and balanced;
- B. collaborative projects must have industrial relevance;
- C. collaborative projects are carried out by interregional, geographically distributed consortia;
- D. collaborative projects can occur throughout the full innovation cycle;
- E. results of collaborative projects are shared through a process of controlled information diffusion that protects and equitably allocates any intellectual property rights created or furnished during cooperation, and,
- F. IMS project activities under government sponsorship or utilizing government resources should not involve competitive research and development.

V. PROGRAMME STRUCTURE AND FUNDING

The IMS programme is an international cooperation in which participants work cooperatively to boost industrial competitiveness, to solve problems facing manufacturing worldwide and to develop advanced manufacturing technologies and systems to benefit humanity. The scope of the IMS programme is as broad as practicable.

- A. The IMS programme is governed by a management structure which consists of:

- 1. an International IMS Steering Committee;
- 2. an interregional secretariat, and,
- 3. regional secretariats.

The IMS programme will include projects that comply with the technical themes described in Appendix 1.

Project partners must comply with the IPR provisions described in Appendix 2. The IPR provisions include a minimum set of mandatory requirements, non-mandatory provisions that need to be addressed, and optional provisions.

B. Funding for the management structure

1. Each participant will fund its own participation.
2. Each participant will determine the method by which its own participation will be funded.
3. Each participant will contribute in an equitable manner in funding or in kind to defray the costs of operating the interregional secretariat.
4. Each participant will be responsible for supporting its own delegation and providing any necessary liability coverage.

C. Funding for the projects

1. Each participant will fund its own participation.
2. Each participant will determine the method by which its own participation will be funded.

VI. MANAGEMENT STRUCTURE

A. International IMS Steering Committee. The IMS programme will be overseen by an International IMS Steering Committee. Members must be eminent representatives of the participants' industrial, academic, or governmental sectors who are knowledgeable of manufacturing issues. Members must be willing and able to devote the necessary time and effort involved in guiding the IMS programme.

1. *Composition.* Two members and one observer from each participant.

The total number of members and observers will expand as additional participants are admitted according to the procedure outlined in Section IX.

Delegation members may be from the industrial, academic or governmental sectors of each participant. Strong industrial representation is encouraged. At least one of the two members must be from the industrial sector, and the head of the delegation must be non-governmental. The members should be appointed for a significant term. However, observers can be changed as the need dictates.

Each participant's delegation to the meetings of the International IMS Steering Committee may be accompanied by two representatives from its designated regional secretariat.

2. The International IMS Steering Committee will reach decisions by consensus of the members.
3. *Chairmanship.* The chair of the International IMS Steering Committee will rotate among the six participants. Each term will last for two years. During the term when a participant chairs, that participant also is responsible for organizing the interregional secretariat. Canada will chair the first term. Australia will take the second term and serve as vice-chair in the first term to guarantee continuity. EFTA will take the third term. The sequence of subsequent chairmanships will be decided during the third year after the commencement of the IMS programme.
4. *Responsibilities.* The International IMS Steering Committee will recommend policies and strategies for undertaking, and for the evolution of, the IMS programme, including the matter of new participants. It will also:
 - (a) provide overall guidance, set strategic priorities and oversee programme implementation;
 - (b) sponsor and approve new IMS documents;
 - (c) form interim task forces or committees, for example, for technical or legal issues, if necessary, to accomplish its work;
 - (d) oversee the interregional secretariat;
 - (e) provide international promotion for IMS and for manufacturing as a generic discipline;
 - (f) endorse projects as described in Section IX;
 - (g) ensure projects and work undertaken under this programme are carried out in a manner consistent with the purpose, principles and programme structure agreed on by the participants; and,
 - (h) foster communication among the International IMS Steering Committee, the interregional and regional secretariats, and the project consortium members.

- B. **Interregional secretariat.** The participant which chairs the International IMS Steering Committee will be responsible for managing the interregional secretariat.

The interregional secretariat will have the responsibility to:

1. provide logistics for interregional proposals,
2. maintain and distribute IMS meeting and other documents,
3. provide logistics for interregional publicity at the direction of the International IMS Steering Committee,
4. educate new and prospective participants,
5. disseminate information during, and on the conclusion of, projects,
6. assist with interregional consortia formation, and,
7. organize and arrange studies and/or work as requested by the International IMS Steering Committee.

- C. **Regional secretariats:** The governments and/or the public administrations and public organizations of the participants will organize and manage respective regional secretariats in a manner they see fit.

In order to facilitate the IMS programme, the regional secretariats will have the responsibility to:

1. provide regional logistics for interregional proposals,
2. maintain and distribute IMS meeting and other documents within respective regions,
3. provide logistics for regional meetings and promotion,
4. disseminate information during and on the conclusion of projects within respective regions,
5. assist in consortia formation within and across respective regions,
6. support regional delegations in attending the International IMS Steering Committee meetings,
7. facilitate regional selections and reviews, and,
8. work with regional infrastructure groups to facilitate the IMS programme.

VII. COMMENCEMENT OF THE IMS PROGRAMME

The IMS programme will commence on:

1. the ratification of the Terms of Reference for the IMS programme by each participant,
2. the appointment of the members of the International IMS Steering Committee, and,
3. the designation of the regional secretariats.

VIII. END OF THE IMS PROGRAMME

The IMS programme will end on the 10th anniversary of the agreed commencement date of the programme, unless in the seventh year of the programme, the governments and/or the public administration decide differently.

IX. ADMISSION OF NEW PARTICIPANTS

- A. The government and/or public administration of an applicant region will first have to comply with the Terms of Reference for the IMS programme.
- B. After ratification of the Terms of Reference for the IMS programme, project partners from an applicant region are allowed to form consortia with the consent of other partners. The contributions of the applicant region's partners will have to be carefully monitored over a period of time to build up a profile of the applicant region's participation.

- C. After this period of time has elapsed (possibly a number of years), the governments and/or public authorities will reach a decision based on recommendations from the International IMS Steering Committee on whether the applicant region would have representation on the International IMS Steering Committee.

X. CONSORTIUM FORMATION

The regional secretariats together with the interregional secretariat provide assistance in forming consortia for IMS projects.

A. Basic consortium formation document

The interregional secretariat and the regional secretariats together will develop, based on the Terms of Reference for the IMS programme, a basic document that explains:

- the organization of the programme,
- the structure of operation and the aims,
- the requirements for project and consortium selection,
- the technical themes, and,
- the evaluation and selection process and the supporting criteria.

B. International coordinating partner

An international coordinating partner must be appointed by each consortium. The appointed international coordinating partner must be an industrial firm with the necessary resources to lead the project to its completion and a demonstrated capacity for managing complex international projects. International coordinating partners duties include:

1. to coordinate consortia formation,
2. to coordinate preparation of full proposal and cooperation agreements,
3. to act as the primary contact for all communication between the consortium and the International Steering Committee and interregional secretariat,
4. to facilitate successful execution of the project, and,
5. to coordinate project review preparation and information dissemination.

C. List of interested entities

Within a region, its regional secretariat will distribute to all organizations in the industrial, academic and governmental sectors identified as potential project partners the basic document, the domestic funding opportunities, and the domestic agenda for the IMS programme. The regional secretariat will compile a list of interested entities. The list must include the area of interest and the capabilities of each of the interested entities.

D. Exchange of lists of interested entities

This list will be routinely updated and distributed to all other regions via the interregional secretariat. The regional secretariat also collects lists of interested entities from other regions. It forwards a list of interested entities from other regions to those domestic entities with potential similar interests. The regional secretariat cultivates common interest between domestic and foreign entities, and facilitates the formation of consortia.

E. Exchange of project proposals

Any interested entity can submit preliminary proposals to the regional secretariat to which it belongs for facilitating formation of international consortia.

The regional secretariat will distribute these proposals to all interested entities on the list. Based on the information, potential partners can strive to form international consortia.

XI. EVALUATION, SELECTION AND REVIEW OF PROJECTS

Proposals must be consistent with the principles, the structure of the programme and the IPR provisions set forth in these Terms of Reference.

A. Project selection criteria

1. Industrial relevance.
2. Compliance with the technical themes in Appendix 1 as may be amended from time to time by the International IMS Steering Committee.
3. Scientific and technical merit.
4. Adoption and commercialization potential.
5. Compliance with IPR provisions in Appendix 2 as may be amended from time to time by the International IMS Steering Committee.
6. Value-added.

B. Consortium selection criteria

1. *Interregional distribution of partners*

Consortium partners must be from at least three participants.

2. *Balanced contributions and benefits*

The consortium partners will show how the contributions to, and the benefits from, participation are equitable and balanced. To this end, the contributions should be identified by type (including in-kind contributions such as equipment, facilities, personnel, documentation, techniques and background intellectual property) and by value for each partner and group.

3. *Interregional leadership*

The interregional consortium must appoint the international consortium coordinator for the consortium.

4. *Dissemination of results*

The consortium must commit to and submit a plan to disseminate project results, including the lessons learned in forming and managing IMS consortia, and non-proprietary technical results permitted by the IPR provisions.

C. Project evaluation

The proposal process consists of three stages.

1. *Project abstract evaluation*

The consortium must produce an abstract of the planned research. This abstract shall be submitted to the regional secretariats for initial regional reviews. Each delegation will make a recommendation to the International IMS Steering Committee. Proposers of unapproved projects will be given feedback as to why they did not receive support.

2. *Full proposal evaluation*

The consortium must submit a final proposal using a standardized format for detailed evaluation by all partners' regions. The final proposal shall include the formal commitment of each partner to the principles, the structure and the IPR provisions of the IMS programme, including a signed cooperation agreement including an IPR agreement.

3. *Final endorsement*

Final endorsement will be made by the International IMS Steering Committee based on the regional recommendations and the submitted proposals.

D. Project review

The International IMS Steering Committee will monitor and review progress regularly. To facilitate this, each consortium will submit a summary report once a year to the International IMS Steering Committee, in a standardized format.

Any region may review progress of partner(s) from its region at any time as it sees fit.

XII. ROLE OF IMS *VIS-À-VIS* SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs), UNIVERSITIES AND GOVERNMENT RESEARCH INSTITUTES

The participants individually and the International IMS Steering Committee will develop mechanisms to enlist SMEs directly and indirectly in the IMS programme. In addition to this, all regions should consider activities such as:

- A. clear and well documented advice on IPR issues;
- B. a 'road map' of existing constraints in law or custom in the participants' territories, and their practical implications;
- C. help desks for answering simple queries;
- D. an electronic partner search facility specifically oriented to SMEs;
- E. an electronic register of 'expressions of interest' by SMEs, which are looking for opportunities to join existing or emerging project clusters;
- F. an ongoing 'case-book' of IMS experiences with donations from project teams;
- G. dissemination events specifically geared to various SME sectors.

The list is not exhaustive, and research should continue alongside the evolving programme, to monitor the participation of SMEs, and to identify further needs.

The items listed above also are useful for encouraging the participation of universities and government research institutes. Harnessing the educational role of universities in dissemination of results of research through to the next generation of practitioners is necessary.

XIII. DISSEMINATION OF RESULTS

Dissemination of information is of the utmost importance and is required in the IMS programme. However, all information dissemination must comply with the IPR provisions in Appendix 2. This includes the dissemination of interim and final project technical results.

Information dissemination will occur at the project, regional and interregional levels. This dissemination might include written reports, international symposia, and publications by members of the academic sector.

Appendix 1

TECHNICAL THEMES FOR FULL-SCALE IMS PROGRAMME AS PROPOSED BY ITC

This framework of themes should encourage possible project applicants to develop proposals which show a clear contribution to the necessity of global cooperation. If it is shown in the project proposal that global cooperation could solve these themes better than regional efforts, the project should get priority.

1. Total product life cycle issues

— *Future general models of manufacturing systems*

Examples for that theme are the proposals 'agile manufacturing', 'fractal factory', 'bionic manufacturing', 'holistic enterprise integration', etc.

— *Intelligent communication network systems for information processes in manufacturing*

To understand the productivity of global distribution and global sourcing, the communication networks and tools and their applications have to be improved.

— *Environment protection, minimum use of energy and materials*

Environment, energy and materials questions have reached a complexity that can only be handled via cooperation with a variety of specialists. Due to the fact that the conditions in that field are very different in different regions a common understanding and harmonized views for the response of manufacturing technologies to environment protection are necessary.

— *Recyclability and refurbishment*

Up to now it has proved nearly impossible to recycle a product from one region in another region. In the longer term that situation may greatly damage the free trade between regions. Therefore methods and new ideas for recyclability that are globally accepted should be developed under the IMS umbrella.

— *Economic justification methods*

In spite of the efforts of manufacturing scientists the speed of arrival of new problems has by far outrun the output of troubleshooting ideas and their implementation in manufacturing areas. Very often this is caused by non-harmonized assessment and economic justifications of new manufacturing systems. Therefore IMS should support projects with the development of clear specifications for monitoring and economic justification methods that can lead to common understanding in the evaluation of manufacturing systems.

2. Process issues

To realize the needs for rapid response to changing requirements and to saving human and material resources and to improving working conditions for employees the following themes can be identified:

— *Clean manufacturing processes that can minimize effects on environment*

Process emission minimized systems.

Process disposal minimized systems.

Factory (process) life-cycle pre-assessed systems.

— *Energy efficient processes that can meet manufacturing requirements with minimum consumption of energy*

Minimum consumption of energy.

Integrated cycled process for less energy consumption.

Modules of energy conservation type.

Production management technology of energy conservation type.

— *Technology innovation in manufacturing processes*

Methods that can quickly produce different products through rapid prototyping methods.

Manufacturing processes that can flexibly respond to changes in labour conditions, changes of products or materials.

- *Improvement in the flexibility and autonomy of processing modules that compose manufacturing systems*

Open distributed systems and their modules that can match both unmanned, man-machine mixed and labour-intensive systems, and can metamorphologically architect system components in line with changes of products.

- *Improvement in interaction or harmony with various components and functions of manufacturing*

Open infrastructure for manufacturing.

Interconnected information systems such as 'remote ID' among respective modules.

3. Strategy/planning/design tools

Manufacturing takes place in a global economy. How and where raw materials are transformed is a strategic decision. The decision is complicated in terms of what to make and where to make or buy it, in what is becoming a single global economy.

Many of today's manufacturing organizations are designed using vertical and hierarchical structures. The move towards hierarchical structures is and will continue to require major changes in organizations, systems and work practices. We need methodologies and tools to help us to define appropriate manufacturing strategies and to design appropriate organizations and business/work processes.

Methods and tools to support business process re-engineering. Modelling tools to support the analyses and development of manufacturing strategies.

Design support tools to support planning in an extended enterprise or virtual enterprise environment.

4. Human/organization/social issues

- *Promotion and development projects for improved image of manufacturing*

Manufacturing engineers tend to be at the bottom of the pay scale relevant to other engineers, and the profession as a whole has a lower stature. Therefore ITC considers as projects globally recognized, strong professional societies and educational institutions for the promotion of manufacturing as a discipline. These proposals include the creation of international organizations to promote manufacturing.

- *Improved capability of manufacturing workforce/education, training*

Engineering education has often tended to emphasize theory over process. In addition, basic education has not always met the needs of industry, producing graduates with often inadequate skills. This has led to industries that are poor at turning innovation into successful products. This necessitates a change in priorities and closer ties between industry and educational institutions. As well, changes in system organization mean that training within companies is a continuous process which seeks to update the skills and increase the potential of employees — the crucial elements in any system.

- *Autonomous offshore plants (integration of supplementary business functions in subsidiaries)*

Offshore plants were originally meant to increase market share and decrease production costs: development of the transplant labour forces were a secondary consideration. However, giving more autonomy to these plants enables them to react more flexibly to changing conditions in the areas where they are based, and is consistent with organizational ideas of decentralization, empowerment and hierarchy flattening. It also serves to contribute to domestic development in the countries where the plants are located and further the IMS goal of spreading widely basic manufacturing knowledge.

- *Corporate technical memory — keeping, developing, accessing*

Often in a manufacturing enterprise, knowledge and sources of information are isolated or locked. Organizational learning is a strategy for translating such knowledge into a framework or a model that leads to better decision-making and could be an important theme within IMS.

— *Appropriate performance measures for new paradigms*

New paradigms of manufacturing must offer superiority in performance from the points of view of costs, quality, delivery and flexibility. The first three are familiar performance criteria used for mass production, while flexibility is a key attribute of new paradigm manufacturing. To increase the acceptance of new paradigms performance evaluation methods should be developed.

5. **Virtual/extended enterprise issues**

The extended enterprise is an expression of the market driven requirement to embrace external resources in the enterprise without owning them. Core business focus is the route to excellence but product/service delivery requires the amalgam of multiple world-class capabilities. Changing markets require a fluctuating mix of resources. The extended enterprise, which can be likened to the ultimate in customizable, reconfigurable manufacturing resource, is the goal. The process is applicable even within large organizations as they increasingly metamorphasize into umbrellas for smaller units/focused factories.

The operation of the extended enterprise requires take-up of communications and database technologies which are near to the current state of the art. However, the main challenge is organizational rather than technological.

Research and development opportunities in this area are:

- methodologies to determine and support information processes and logistics across the value chain in the extended enterprise,
 - architecture (business, functional and technical) to support engineering cooperation across the value chain, for example, concurrent engineering across the extended enterprise,
 - methods and approaches to assign cost/liability/risk and reward to elements of the extended enterprise,
 - team-working across individual units within the extended enterprise.
-

Appendix 2

INTELLECTUAL PROPERTY RIGHTS PROVISIONS FOR RESEARCH AND DEVELOPMENT PROJECTS

Objectives

These provisions lay down mandatory requirements as well as recommended principles for partners which wish to participate in a project conducted within the intelligent manufacturing systems programme (IMS programme). The objectives of these provisions are to provide adequate protection for intellectual property rights used in and generated during joint research and development projects under the IMS programme while ensuring:

- (a) that contributions and benefits by participants, from cooperation in such projects, are equitable and balanced,
- (b) that the proper balance is struck between the need for flexibility in partners' negotiations and the need for uniformity of procedure among projects and among partners, and,
- (c) that the results of the research will be shared by the partners through a process that protects and equitably allocates any intellectual property rights created or furnished during the cooperation.

Article 1

Definitions

- 1.1. *Accounting*: The sharing of any consideration such as royalties or other licence fees by one partner with another partner when the first partner which solely or jointly owns foreground discloses, licenses or assigns it to a third party.
- 1.2. *Affiliate*: Any legal entity directly or indirectly owned or controlled by, or owning or controlling, or under the same ownership or control as, any partner. Common ownership or control through government does not in itself create affiliate status.

Ownership or control shall exist through the direct or indirect:

- (a) ownership of more than 50 % of the nominal value of the issued equity share capital; or
 - (b) ownership of more than 50 % of the shares entitling the holders to vote for the election of directors or persons performing similar functions, or right by any other means to elect or appoint directors, or persons performing similar functions, who have a majority vote; or
 - (c) ownership of 50 % of the shares, and the right to control management or operation of the company through contractual provisions.
- 1.3. *Background*: All information and intellectual property rights except background rights owned or controlled by a partner or its affiliate and which are not foreground.
 - 1.4. *Background rights*: Patents for inventions and design and utility models, and applications therefor as soon as made public, owned or controlled by a partner or its affiliates, a licence for which is necessary for the work in a project or for the commercial exploitation of foreground, and which are not foreground.
 - 1.5. *Confidential information*: All information which is not made generally available and which is only made available in confidence by law or under written confidentiality agreements.

- 1.6. *Consortium*: Three or more groups which have agreed to carry out jointly a project.
- 1.7. *Cooperation agreement*: The one or more signed agreements among all partners in a consortium concerning the conduct of the project.
- 1.8. *Foreground*: All information and intellectual property rights first created, conceived, invented or developed in the course of work in a project.
- 1.9. *Group*: All partners in a given project from the geographic area of a participant.
- 1.10. *IMS programme*: The intelligent manufacturing systems programme.
- 1.11. *Intellectual property rights*: All rights defined by Article 2 (viii) of the Convention Establishing the World Intellectual Property Organization signed at Stockholm on 14 July 1967⁽¹⁾, excluding trade marks, service marks and commercial names and designations.
- 1.12. *Non-profit institutions*: Any legal entity, either public or private, established or organized for purposes other than profit-making, which does not itself commercially exploit foreground.
- 1.13. *Participant*: Australia, Canada, the EC, the group of participating EFTA countries (Austria, Finland, Norway, Sweden and Switzerland), Japan and the USA and any other country or geographic region whose participation in the IMS programme may be approved in the manner determined by the participants.
- 1.14. *Partner*: Any legal or natural person participating as a contracting party to the cooperation agreement for a given project.
- 1.15. *Project*: Any research and development project carried out by a consortium within the IMS programme.
- 1.16. *Summary information*: A description of the objectives, status and results of a project which does not disclose confidential information.

Article 2

Mandatory provisions

Each cooperation agreement must contain substantive terms and conditions that are fully consistent with each of the provisions 2.1 through 2.13 in this Article and the definitions used in each cooperation agreement shall be those specified in Article 1 of this document.

Where a project or a potential partner or its affiliates is subject to government requirements, whether by law or agreement, and such requirements will affect rights or obligations pursuant to the cooperation agreement, the potential partner shall disclose to the other partners all such requirements of which it is aware prior to signing the cooperation agreement. Partners must ensure that ownership, use, disclosure and licensing of foreground will comply with these mandatory provisions if the project is subject to government requirements.

Partners will, at the outset of a project, promptly notify one another of their affiliates which will be involved in the performance of the project, and will notify one another of any changes in the affiliates so involved during the life of the project. At the time of entering into a cooperation agreement, and immediately after new legal entities have come to meet the affiliate definition, partners may exclude affiliates from the rights and obligations set forth in these provisions in accordance with the terms of the cooperation agreement.

Written agreement

- 2.1. Partners shall enter into a written cooperation agreement that governs their participation in a project consistent with this document.

⁽¹⁾ See Appendix 3.

Ownership

- 2.2. Foreground shall be owned solely by the partner or jointly by the partners creating it.
- 2.3. A partner which is the sole owner of foreground may disclose and non-exclusively license that foreground to third parties without accounting to any other partner.
- 2.4. A partner which is a joint owner of foreground may disclose and non-exclusively license that foreground to third parties without the consent of and without accounting to any other partner, unless otherwise agreed in the cooperation agreement.
- 2.5. A partner may assign its sole and/or joint ownership interests in its background, background rights and foreground to third parties without the consent of and without accounting to any other partner.

Partners who assign any of their rights to background rights or foreground must make each assignment subject to the cooperation agreement and must require each assignee to agree in writing to be bound to the assignor's obligations under the cooperation agreement in respect of the assigned rights.

Dissemination of information

- 2.6. Summary information shall be available to all partners in other projects and to the committees formed under the IMS programme.
- 2.7. The consortium will make available at the end of the project a public report setting out summary information about the project.

*Licence rights**Foreground*

- 2.8. Each partner and its affiliates may use foreground, royalty-free, for research and development and for commercial exploitation. Commercial exploitation includes the rights to use, make, have made, sell and import. However, in exceptional circumstances:
 - (a) partners may agree in their cooperation agreement to pay a royalty to partners which are non-profit institutions for commercial exploitation of foreground which is solely owned by such non-profit institutions; and
 - (b) partners may agree in their cooperation agreement to pay a royalty to partners which are non-profit institutions for commercial exploitation of foreground which is jointly owned with such non-profit institutions, provided such royalties are both small and consistent with the principle that contributions and benefits in the IMS programme must be balanced and equitable.
- 2.9. A non-owning partner and its affiliates may not disclose or sub-license foreground to third parties except that each partner or its affiliates may, in the normal course of business:
 - (a) disclose foreground in confidence solely for the purposes of manufacturing, having manufactured, importing or selling products;
 - (b) sub-license any software forming part of foreground in object code; or
 - (c) engage itself in the rightful provision of products or services that inherently disclose the foreground.

Background

- 2.10. A partner in a project may, but is not obligated to, supply or license its background to other partners.

- 2.11. Partners and their affiliates may use another partner's or its affiliates' background rights solely for research and development in the project without additional consideration, including, but not limited to, financial consideration.
- 2.12. Partners and their affiliates must grant to other partners and their affiliates a licence of background rights on normal commercial conditions when such licence is necessary for the commercial exploitation of foreground unless:
- (a) the owning partner or its affiliate is by reason of law or by contractual obligation existing before signature of the cooperation agreement unable to grant such licences and such background rights are specifically identified in the cooperation agreement; or
 - (b) the partners agree, in exceptional cases, on the exclusion of background rights specifically identified in the cooperation agreement.

Survival of rights

- 2.13. The cooperation agreement shall specify that the rights and obligations of partners and affiliates concerning foreground, background and background rights shall survive the natural expiration of the term of the cooperation agreement.

Article 3

Provisions that need to be addressed in the cooperation agreement

Partners shall address each of the following items in their cooperation agreement:

Publication of results

- 3.1. Partners shall address the issue of the consent required, if any, from the other partners for publication of the results from the project other than summary information.
- 3.2. Partners shall address the issue of whether partners which are non-profit institutions may, for academic purposes, publish foreground which they solely own, provided that adequate procedures for protecting foreground are taken in accordance with Articles 3.3 and 3.4.

Protection of foreground

- 3.3. Partners shall identify the steps they will take to seek legal protection of foreground by means of intellectual property rights and on making an invention shall notify other partners in the same project in a timely manner of the protection sought and provide a summary description of the invention.
- 3.4. Partners shall address the issue of prompt notification of all other partners in the same project and, on request and on mutually agreed conditions, disclosure of the invention and reasonably cooperate in such protection being undertaken by another partner in the same project in the event and to the extent that a partner or partners which own foreground do not intend to seek such protection.

Confidential information

- 3.5. Partners shall identify the measures they will take to ensure that any partner which has received confidential information only uses or discloses this confidential information by itself or its affiliates as far as permitted under the conditions under which it was supplied.

Dispute settlement and applicable laws

- 3.6. Partners shall agree in their cooperation agreement on the manner in which disputes will be settled.
- 3.7. Partners shall agree in their cooperation agreement on the law which will govern the cooperation agreement.

*Article 4***Optional provisions**

Partners may, but are not required to address each of the following provisions in their cooperation agreement:

- Affiliate provisions
- Antitrust/competition law issues
- Cancellation and termination
- Employer/employee relationships
- Export controls and compliance
- Field of the agreement
- Intent of the parties
- Licensing partners in other projects
- Licensor's liability arising from licensee's use of licensed technology
- Loaned or assigned employees and resulting rights
- New partners and withdrawal of partners from projects
- Post cooperation agreement background
- Protection, use and non-disclosure obligations regarding confidential information
- Residual information
- Royalty rates for background right licences
- Software source code
- Taxation
- Term/duration of agreement

There are likely to be other provisions the partners will need to put into their cooperation agreement depending on the particular circumstances of their project. Partners should seek their own expert advice on this and note that no additional terms may conflict with Articles 1 and 2 of these provisions.

Appendix 3

**CONVENTION ESTABLISHING THE WORLD INTELLECTUAL PROPERTY ORGANIZATION
(STOCKHOLM, 14 JULY 1967)**

Article 2 (viii) defines intellectual property to include:

'... the rights to literary, artistic and scientific works; performances of performing artists; phonograms and broadcasts; inventions and all fields of human endeavour; scientific discoveries; industrial designs; trade marks, service marks and commercial names and designations; protection against unfair competition; and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.'

EXCHANGE OF LETTERS

recording the common understanding on the principles of international cooperation on research and development activities in the domain of intelligent manufacturing systems between the European Community and the United States of America, Japan, Australia, Canada and the EFTA countries of Norway and Switzerland

A. Letter from the Community

Brussels, 19 March 1997.

Sir,

I refer to discussions that have taken place concerning international cooperation on research and development activities in the domain of intelligent manufacturing systems (IMS) between the participants, i.e. the European Community, and the United States of America, Japan, Australia, Canada, and the EFTA countries of Norway and Switzerland.

The purpose of this letter is to record the common understanding reached on the principles of cooperation on IMS. The letter complements the Terms of Reference (ToR) developed by the International Steering Committee at the end of the IMS feasibility study in 1994 and modifies Article VIII of the ToR and Article 1.13 of Appendix 2 of the ToR as indicated below. The ToR, and the Appendices to the ToR, are annexed to this letter.

1. Objective

Participants will encourage and facilitate cooperation between entities, established within their territories (within the territories of its Member States in the case of the European Community), in the domain of intelligent manufacturing systems. Such cooperation should ensure a balance of benefits and contributions, be of industrial relevance and be based on the principle of mutual interest and understanding.

2. Technical themes for IMS cooperation

The cooperation will initially cover the following five technical themes:

- (a) total product life cycle issues;
- (b) process issues;
- (c) strategy/planning/design tools;
- (d) human/organizational/social issues, and,
- (e) virtual/extended enterprise issues.

Other themes within the scope of IMS may be envisaged, however, it should be ensured that new technical themes are consistent with government policies and industrial priorities of the participating regions.

3. Forms and means of cooperation

Cooperation will involve participation in projects by entities, in accordance with procedures adopted in common for the creation and operation of international consortia and may include visits, training and exchanges of scientists, engineers and other appropriate personnel for purposes relevant to the successful implementation and completion of the projects.

4. Dissemination and utilization of information

Intellectual property rights (IPR) resulting from projects carried out within IMS will be subject to the IMS/IPR provisions given in Appendix 2 of the ToR. This Appendix will be amended in Article 1.13 to reflect that Austria, Finland and Sweden are members of the European Union.

5. *Financing*

Financing of cooperative activities will be subject to the availability of funds and to the applicable laws and regulations, policies and programmes of the participating regions.

Each participant will cover its own participation.

Each participant will contribute, in funding or in kind, in an equitable manner to the execution of the functions and the costs of the interregional secretariat.

6. *Implementation of IMS*

Representatives of the participants appointed to the International Steering Committee (ISC) will act as the liaison between the ISC and their respective public administrations/governments. The representatives of the participants will monitor the implementation with respect to the purpose, principles and programme structure of IMS and they will have a facilitating role. In addition, they will have the following functions:

- facilitate good cooperation between the regional secretariats,
- exchange of information on local practices, laws, regulations and programmes relevant to the cooperation,
- facilitate participation of small and medium-sized enterprises (SMEs) directly and indirectly in the IMS programme. In particular this would include access to an electronic partner search facility and an electronic register of expressions of interest, and,
- present to government/public administrations for decision the recommendations of the ISC for the admission of new participants.

The participants will organize, manage or designate their respective regional secretariats. In particular, the regional secretariats will include the following responsibilities:

- facilitate the timely selection of projects at regional level, according to the rules and procedures in force in the participant's region,
- assist in consortium formation within and across respective regions, and,
- work with regional infrastructure groups to facilitate IMS.

7. *Duration*

The IMS programme will have a duration of 10 years, each participant may withdraw at any time subject to 12 months' notice. The participants will review the principles of their cooperation five years after its launch in order to see whether it should be continued, modified or terminated. This replaces Article VIII of the ToR.

8. *Implementation of IMS in Europe*

The European Community and Switzerland and Norway reserve the option to act together as a single European region, to be represented by a combined delegation on the International Steering Committee and to be supported by a single European IMS Secretariat.

The Commission of the European Community will provide the necessary support for its regional secretariat.

This letter, together with its acceptance by the participants, complements and modifies the ToR and records the common understanding on the principles of cooperation on IMS. I would be pleased to receive your early confirmation of this understanding.

On behalf
of the European Community

S. Miccosi

B. Letter from Japan

Tokyo, 1 April 1997.

Sir,

I acknowledge receipt of your letter of 19 March 1997 which reads as follows:

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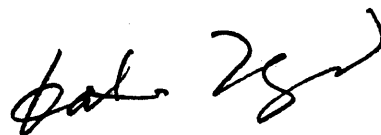
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I have the honour to confirm that my Government is in agreement with the contents of your letter.

*For the Government
of Japan*



*ANNEX***TERMS OF REFERENCE FOR A PROGRAMME OF INTERNATIONAL COOPERATION IN
ADVANCED MANUFACTURING**

(This Annex (and the Appendices thereto) is/(are) identical to that/(those) published on page 6 of this
Official Journal)

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On behalf
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S. Micom

B. Letter from Australia

Canberra, 4 April 1997.

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The Commission of the European Community will provide the necessary support for its regional secretariat.

This letter, together with its acceptance by the participants, complements and modifies the ToR and records the common understanding on the principles of cooperation on IMS. I would be pleased to receive your early confirmation of this understanding.'

I have the honour to confirm that my Government is in agreement with the contents of your letter.

*For the Government
of Australia*



ANNEX

**TERMS OF REFERENCE FOR A PROGRAMME OF INTERNATIONAL COOPERATION IN
ADVANCED MANUFACTURING**

(This Annex (and the Appendices thereto) is/(are) identical to that/(those) published on page 6 of this
Official Journal)

EXCHANGE OF LETTERS

recording the common understanding on the principles of international cooperation on research and development activities in the domain of intelligent manufacturing systems between the European Community and the United States of America, Japan, Australia, Canada and the EFTA countries of Norway and Switzerland

A. Letter from the Community

Brussels, 19 March 1997.

Sir,

I refer to discussions that have taken place concerning international cooperation on research and development activities in the domain of intelligent manufacturing systems (IMS) between the participants, i.e. the European Community, and the United States of America, Japan, Australia, Canada, and the EFTA countries of Norway and Switzerland.

The purpose of this letter is to record the common understanding reached on the principles of cooperation on IMS. The letter complements the Terms of Reference (ToR) developed by the International Steering Committee at the end of the IMS feasibility study in 1994 and modifies Article VIII of the ToR and Article 1.13 of Appendix 2 of the ToR as indicated below. The ToR, and the Appendices to the ToR, are annexed to this letter.

1. Objective

Participants will encourage and facilitate cooperation between entities, established within their territories (within the territories of its Member States in the case of the European Community), in the domain of intelligent manufacturing systems. Such cooperation should ensure a balance of benefits and contributions, be of industrial relevance and be based on the principle of mutual interest and understanding.

2. Technical themes for IMS cooperation

The cooperation will initially cover the following five technical themes:

- (a) total product life cycle issues;
- (b) process issues;
- (c) strategy/planning/design tools;
- (d) human/organizational/social issues, and,
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Other themes within the scope of IMS may be envisaged, however, it should be ensured that new technical themes are consistent with government policies and industrial priorities of the participating regions.

3. Forms and means of cooperation

Cooperation will involve participation in projects by entities, in accordance with procedures adopted in common for the creation and operation of international consortia and may include visits, training and exchanges of scientists, engineers and other appropriate personnel for purposes relevant to the successful implementation and completion of the projects.

4. Dissemination and utilization of information

Intellectual property rights (IPR) resulting from projects carried out within IMS will be subject to the IMS/IPR provisions given in Appendix 2 of the ToR. This Appendix will be amended in Article 1.13 to reflect that Austria, Finland and Sweden are members of the European Union.

5. *Financing*

Financing of cooperative activities will be subject to the availability of funds and to the applicable laws and regulations, policies and programmes of the participating regions.

Each participant will cover its own participation.

Each participant will contribute, in funding or in kind, in an equitable manner to the execution of the functions and the costs of the interregional secretariat.

6. *Implementation of IMS*

Representatives of the participants appointed to the International Steering Committee (ISC) will act as the liaison between the ISC and their respective public administrations/governments. The representatives of the participants will monitor the implementation with respect to the purpose, principles and programme structure of IMS and they will have a facilitating role. In addition, they will have the following functions:

- facilitate good cooperation between the regional secretariats,
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7. *Duration*

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On behalf
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S. Micom

B. Letter from Canada

Toronto, 31 March 1997.

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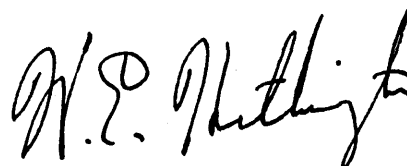
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*On behalf
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S. Miron

B. Letter from Norway

Oslo, 9 April 1997.

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*For the Government
of the Kingdom of Norway*



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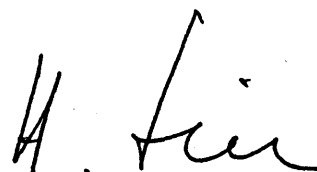
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