UK agricultural research

Disquiet over exclusive deal

GRUMBLES persist about the agreement between the British Agricultural and Food Research Council (AFRC) and the commercial company which now enjoys first refusal of innovations arising in its research laboratories. The company, Agricultural Genetics Company Ltd (AGC), was formed in July 1983 after more than a year of negotiation, during which the terms of the agreement with the council played a crucial part.

There are three categories of complaints, most common of which is that the exclusivity of the arrangement may impede rather than assist the transfer of new agricultural technology to the private sector. More particularly, there are fears that the deal may dissuade other companies from collaborating with AFRC, while the arrangements for financing AGC are held by some to have been inequitable.

AGC was originally intended as an agricultural analogue of Celltech, formed in 1980 with partial government support (40 per cent of the £12 million launch capital was provided by the British Technology Group) and now active in medical biotechnology (chiefly monoclonal antibodies). Celltech at first enjoyed a right of first refusal on Medical Research Council innovations which was terminated after three years.

Like Celltech, AGC was founded with backing from BTG, which provided £200,000 of the launch capital of £750,000. The agreement between AGC and AFRC, described in outline in a paper circulated last month to the council's research staff, says that the company will have the "first option" to develop and market new ideas arising at council establishments in the fields of non-conventional plant breeding, microbial inoculants and biological control.

The right will be restricted to research at the East Malling Research Station, the Glasshouse Crops Research Institute, the John Innes Institute, the Plant Breeding Institute, the Rothamsted Experimental Station and the Unit of Nitrogen Fixation at the University of Sussex. The council estimates that some 30 per cent of the work of the institutes is covered by the agreement with AGC. Conventional plant breeding, excluded from the agreement, is at present exploited through the National Seed Development Organisation.

One common grumble is that AGC will have up to six months to decide whether to exploit an innovation arising within one of the six establishments. The council's document says that the delay will "usually" be less but, even so, it has promised members of staff that publications delayed in this way will nevertheless count in deciding promotion claims if unpublished manuscripts are "accompanied by evidence such as patent applications".

A more serious cause of anxiety is that the institutes covered by the agreement may not embark on collaborative research with other companies without first consulting AGC which, it is said "in most cases is likely to consent". Given the notorious reluctance of research directors to disclose their plans to others, however, demand from third parties may henceforth be small.

The agreement also provides for the company to place research contracts with AFRC establishments both for the further development of indigenous innovations and those suggested by the company. AFRC expects that the value of this contract work will amount to £2 million a year in the next few years.

This modest income is one of the attractions to the council, which has also been given an undertaking that it may keep royalty and other income arising from its projects. But there is no assurance that the Treasury will not cut back on AFRC's total budget to allow for income earned. The council appears also to have won agreement that its establishments will be able to hire short-term staff to help carry projects through.

The commercial arguments about the financing of the company are different, and centre on the belief of some venture capital companies that they should have been given a fuller opportunity to participate at an earlier stage, and that the initial subscription of capital (£750,000) is incommensurate with the potential value of the enterprise.

Since the formation of the company, the Rothschild biotechnology fund has subscribed a substantial amount towards the capital of an expanded company, while Morgan Grenfell, the London merchant bank, is this week arranging a private placing of shares in AGC Ltd that will increase the capital of the company to £15.2 million.

The three founding investors will end up owning two-thirds of the company (roughly 5 per cent of which will belong to the chief executive, Dr Roger Gilmour). New entrants will have paid roughly four times as much for each of their shares as will those entering on the ground floor. Rothschilds will have made a better bargain.

John Maddox

Technology by contract

THE agreement between AFRC and AGC is said to reflect the research council's belief that it is the most effective way of transferring new agricultural technology to British industry. The council also says (in its staff paper) that the arrangement is "designed to give AGC a competitive advantage".

The agreement foresees three types of collaboration:

- **Promising lines of research will be offered to AGC, which will have six months to decide. AGC will hold property rights (in return for a royalty on eventual sales) and will meet the cost of further development, usually at council laboratories.**
- **AGC will support contract research at council laboratories on its own initiative or in response to laboratory suggestions, meeting the full cost and owning such rights as may accrue.**
- **Research council institutes are not precluded from collaboration with third parties provided AGC consents (which it must decide within 30 days). AGC will seek collaboration with third parties for mounting research contracts. AGC may seek grants from non-commercial sources, including foundations, provided that commercial exploitation by AGC is not precluded.**

The agreement also stipulates that if AGC adopts a council innovation but does not prosecute it energetically, the rights will revert to the council, which will also be represented on the board of the company. The agreement would come to an end if ownership of AGC were not at least 60 per cent British.

Rules on confidentiality are said to be those which already apply, although the council's document says that these will have to be "strictly adhered to". "Restrictions on communications" will not apply within the council's staff "or with academics in related fields provided that commercial value is not diminished".

Day-to-day management of the agreement will rest with institute directors, but the council's headquarters will be involved on legal matters such as the negotiation of royalties. The agreement is for five years in the first instance, but is expected to be renewed for at least two further periods of that length. □

Demonstrable success

MR William Coates, a member of the technical staff of the Royal Institution, London, since 1948 and the man in charge of demonstrations at the institution's Friday evening lectures (called discourses), exchanged roles with his director, Sir George Porter, last Friday evening (9 November). Coates had turned 65 earlier in the week, but intends to keep working for at least the next few years.

Coates explained that when he began work at the institution, it was required that technical staff should wear brown laboratory coats, while qualified scientists were dignified in white. Last week, he and Porter wore dinner jackets. □