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University Jointly-Owned Rights and IIA

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University Jointly-Owned Rights and IIA

Presented by:

Pamela L. Cox - Marshall, Gerstein & Borun LLP

November 6, 2014

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Questions?

We look forward to answering your questions today.

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Pamela L. Cox
Partner
Marshall Gerstein & Borun, LLP

Learning Objectives:

- Understand the central issues in the management of jointly owned intellectual property.
- Identify various risks to the successful translation of jointly-owned intellectual property and articulate approaches to mitigating those risks.
- Recognize the concerns likely to be introduced by a third-party licensee who will subsequently join the relationship.
- Appreciate the trade-offs that institutions may be willing to make when allocating costs and benefits.
- Learn frameworks for structuring inter-institutional agreements and the associated management tools that can facilitate successful translation of the technology.

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Overview

- Circumstances when joint ownership of intellectual property typically arises between universities
- Effect of this joint ownership
- Structure and terms of joint ownership agreements
- What to expect from the licensee
- Whether joint ownership agreements are worth the effort

Circumstances When Joint Ownership Arises between Universities

- Faculty from different universities collaborate
- Faculty change employers (i.e., a move after inventive activity)
- Faculty visit other universities
- Parties choose to jointly own, e.g., to bundle rights to out-license
- By written agreement, e.g., material transfer agreement

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Default Rule of Joint Ownership of Patent Rights

In the U.S.

- Co-inventors are co-owners absent an agreement to the contrary
- A co-owner has the equal and undivided right to practice and convey rights without accounting to or obtaining the permission of another owner
- Assertion requires co-owners; consider sovereign immunity

Outside the U.S.

- Co-applicants are co-owners absent an agreement or statute to the contrary
- Co-applicants have the right to practice but permission of co-owners is likely required to convey or assert rights

Default Rule of Joint Ownership of Copyrights

In the U.S.

- Co-authors who intend a joint work are co-owners absent an agreement to the contrary
- A co-owner has the equal and undivided right to practice, convey and assert rights without obtaining the permission of another owner but *must share profits*

Outside the U.S.

- Co-authors may not have the right to practice without co-authors' consent
- Consent is typically required to convey or assert rights

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Joint-Ownership Agreement

- An understanding between co-owners addressing the administration of the jointly-owned assets (important because default rules in the U.S. may change and do differ from the default rules outside the U.S.)
- May be an oral understanding but if marketing and licensing efforts are addressed, it is typically memorialized in a written agreement; oral understandings are insufficient to provide licensees necessary comfort
- Must be written if creating the joint ownership

Timing of Joint-Ownership Agreements

Span the continuum of the relationship:

- Prior to the initiation of a collaboration, and although a highly collaborative academic environment often makes consistent *a priori* management impossible, certain high profile or "special" situations may especially benefit from prior planning
- In anticipation of filing an application or registration of rights
- For purposes of marketing and licensing the rights

Audience poll: Does your office do any substantial number of pre-collaboration joint-ownership agreements?

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Structure of Joint-Ownership Agreements

	Bilateral (University N = 2)	Multilateral (University N > 2)
Case-Specific Agreement (Technology N = 1)	most efficient; project may not warrant more administrative effort	allows for greater clarity in value allocation of a technology in a larger bundle
Master Agreement (Technology N > 1)	where universities are closely connected and intend long-term collaboration, master agreements can provide long-run efficiency	more clarity for ongoing IP management, cost and revenue allocation in an ongoing collaboration between multiple parties

May be standardized, see for example the efforts of Mass. Association of Technology Transfer Offices in its JIIA

Relationship between the Universities

In addition to being co-owners, one party may be the agent of the other party (referred to as the principal) forming an agency relationship, i.e., a consensual fiduciary relationship where the agent has the right to bind the principal, the principal has the right to control the agent and the principal is liable for the authorized actions of agent

- If desired by the parties, ensure legally permissible
- If not desired, expressly disclaim and structure the performance of the parties in a consistent manner, e.g. each retains control of decisions and signature authority

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Relationship from a Third-Party Perspective

Where a license is contemplated, a diligent third party will consider the structure of the IIA to ensure that it can rely on the benefit of the bargain embodied in the license. Depending upon the counterparty and the nature of the transaction, additional documentation may be required.

- IIA's can be useful in ordering the expectation of the University parties prior to the consummation of a license
- Where subsequent documentation is not preferred, contemplate in advance the effect of the IIAs structure on the expectations of a reasonable licensee

Terms You Might Focus On

- Define the scope of subject matter covered
- Define and provide for cost and revenue sharing
- Define the responsibilities of the parties
- Describe triggers for termination and procedures for separation
- Consider the implications of the terms for a licensee
- Set parameters for licensing terms, if applicable

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Define the Scope of Subject Matter Covered

- Intangible Property Rights
  - Patent rights
  - Know-how/trade secrets
  - Copyrights
  - Trademarks
- Tangible Property Rights

Audience poll: Does your University typically enter into a joint-ownership agreement for rights other than patent rights and if so what other rights?

Define the Limits of the Subject Matter Covered

- Describe the time period
  - In existence as of the effective date
  - Conceived/created during term
  - Reduction to practice of existing intellectual property
  - Only for so long as the rights are jointly owned or regardless of ownership status if at one time jointly owned
- Describe the relation of the parties to these rights
  - Subject matter expertise
  - Agreement reference
  - Role under a work plan
  - Ability to produce or maintain materials or codebase

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Sample Definitions to Cover Patent Rights

- Where the rights exist:

  The patent applications listed in Exhibit A, and continuations, continuations-in-part and divisionals, patents issuing thereon, and reissues, reexaminations and extensions of and supplementary protection certificates allowed on any of the foregoing
- Where the rights will be created:

  The patentable inventions conceived by Professor(s) as a direct result of performing under this Agreement, and continuations, etc.

Sample Definition to also Cover Know-How

The innovations conceived or first created whether or not patentable, in the performance of this Agreement, patent applications claiming any of the foregoing, patents issuing from such applications, and reissues, and reexaminations and extensions of and supplementary protection certificates allowed on any of the foregoing.

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Define the Limits of the Subject Matter Covered

Consider whether you want to include:

- Improvements
- Related rights (whether joint or not)
- Pre-existing rights (whether or not dominating the co-owned rights)
- Obligation to transfer know-how

Sample Definition to Cover Copyrights

- Where the work exists:

  The work provided in Exhibit A, [derivative works thereof created by Professor(s) or an employee of either University under Professor's supervision within x years of the Effective Date that are disclosed and assigned to University], and copyright registrations on any of the foregoing.

- Where the work will be created:

  The source and object code written by Professors pursuant to the terms of this Agreement, [derivative works etc.,] …

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Sample Definition to Cover Materials

The tangible property identified in Exhibit A, unmodified [and modified derivatives and other substances created through the use of the materials] that are owned in accordance with the policies of the Creator's University

If the materials are software, define with reference to the code and consider source-code escrow

Exclusions

- All other rights, titles and interests in or to any intellectual or tangible property right of University
- Right to practice and have practiced for research and/or education
- Right to publish and transfer

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Define Costs

- IP costs
  - Past and future authorized U.S. & foreign prosecution and maintenance
  - Defense (interference, opposition and post-grant and declaratory judgment proceedings)
  - Authorized enforcement
  - Inventorship and/or ownership disputes
- Marketing and licensing costs
  - Out-of-pocket limitations
  - Use of consultants, attorneys
- Anything else, for example, costs of solely owned rights bundled for licensing?

Other Considerations for Cost Sharing

- State who pays costs and in what percentages, along with any variations for exceptional circumstances or amounts
- Account for how unauthorized costs incurred by a party must be documented
- Describe audit rights

Audience poll: Does your University audit the "lead"? When your University is the lead, would you agree to a higher interest rate and/or reimbursement of costs of the audit if underpayments were found?

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Define Revenue

- Often means consideration [other than research funding] received for conveyance of jointly-owned rights, less unreimbursed Costs [and an Administrative Fee (if used define)]
- Each side is obligated to comply with its distribution policies and pay its inventors

Audience Poll: Does your University charge an administrative fee and if so, what percent and is it capped?

Hypothetical Arrangements for Revenue Sharing

Multilateral technology bundle (A, B & C), with University A as lead and two bi-lateral IIAs, each articulating an even split among the parties:

Multilateral technology bundle (A, B & C), with University A as lead and one multi-lateral IIA articulating an even split among the parties:

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Considerations for Revenue Sharing

- Percent sharing of revenue
- Payment timing and whether future anticipated costs may be withheld especially under non-traditional "licensing" contexts, such as a royalty buy-out or IP exchange
- Allocation procedure for non-cash consideration (equity and in-kind)
- Reporting obligations and audit rights
- The effect if rights include solely-owned rights
- How to align with internal policies

Responsibilities of the Parties: IP Management

- State who directs the protection and maintenance of the rights and how the non-directing party's instructions are to be implemented
- Describe relationship with outside counsel and whether this changes if there is a licensee
- Describe how the defense and enforcement of rights will be managed if no licensee. Does this change if there is a licensee?
- Describe process and effect of a party opting out

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Responsibilities of the Parties: Generally

- Allocate responsibility for marketing the rights and any guidelines such as the permitted use of University's and collaborator's names
- Describe the procedure for publication and presentation coordination, if any
- If there are materials, state who may transfer them, under what terms and whether this will change if licensed
- Define type of agreements (e.g., are research agreements included or may each party handle themselves?)

Responsibilities of the Parties: Licenses

- State who may/must negotiate, grant, administer and audit each type of agreement included
- Describe the involvement of each party during a negotiation and a procedure for obtaining feedback in a timely manner
- Include any term-specific detail the parties need specified in an agreement, see next slide

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Specific License Terms Often Addressed

- Scope of permitted grant of rights
- Reserved rights to practice and have practiced
- Minimum diligence requirements of licensee
- Financial terms commensurate with expectations of fair value
- Indemnity, insurance and other “policy” provisions
- Third-party beneficiary language for the non-signing co-owner
- No endorsement or use of name

Separation Provisions

- Describe the circumstances where the "lead" reverts to the other owner and the effect
- State the circumstances under which the IIA terminates
- Upon the termination of the IIA, ensure:
  - Coordination of IP management and sharing of Costs and Revenue
  - Negotiations proceed, including if breach is by the "lead"
  - Administration of executed agreements, including if breach is by the "lead"

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What to Expect When Licensing Jointly-Owned Rights

- Due diligence regarding intellectual and tangible property rights
- Due diligence regarding terms of the IIA, especially if termination severs authority
- Third party beneficiary language may be undesirable

Do the Benefits of a Joint-Ownership Agreement Outweigh the Resource Commitment?

- Often required
- Uniform templates are available
- Even if not required, these agreements increase clarity and may preserve the collaborative spirit if the rights become valuable

Audience poll: Are written joint-ownership agreements worth the effort where not required?

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Questions?
Thank You!

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