

University – Industry Collaboration Agreements 101

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Title here

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Overview

- Goal: Fundamentals for the licensing professional
- Perspectives & Objectives
- Research Agreements: Structure & Key Provisions
- Service Agreements: Special Issues
- Resources

Research Agreements Matter in Licensing Because...

- Research collaboration is often part of the license deal
- Terms of the research agreement can affect the future license
- Potential for wear and tear on the relationship

Perspectives & Objectives

Perspectives

- University mission:
Create and disseminate knowledge for **public benefit**
Educate and train students
- Industry mission:
Create value for investors for **private gain**
Provide useful products and services

Objectives Can Be...

- *Complementary*
 - Knowledge creating public benefit through useful products and services
 - Educated students providing skilled workforce
 - Highly trained experts working on cutting edge problems
- *Conflicting*
 - Short term return on investment v. long term advancement
 - Secrecy v. sharing
 - Competition v. collaboration

Challenge: identify and structure **collaborations that align with mission and objectives** of each partner

Research Agreements Sources of Law & Regulation

All that that apply to research generally

- Institutional policies
- Research compliance requirements:
 - Animal subjects
 - Human subjects
 - Biosafety
 - Research integrity
 - Conflict of interest
 - Bayh-Dole Act

PLUS

- Additional financial, tax and export considerations
- State institutions have special considerations

Research Agreements Basic Structure

- **Core of the deal:** scope of work and payment
- **Delivering the results:** reports and data
- **Rights & restrictions:** confidentiality, publication, IP
- **Risk allocation:** indemnification, insurance, disclaimers

Core of the Deal: Statement of Work and Payment

What it is:

- Description of project, key personnel, duration, timeline
- Facilities, special resources, key cost drivers
- Co-location of university and industry scientists
- Payments: amount and schedule



Statement of Work and Payment

“**The Deal**” in the view of the scientists

Often prepared and negotiated separately, relegated to an attachment in the contract

YET: Defines the boundaries for rights and responsibilities under the agreement

Watch outs: Statement of work

- Research outcomes can be unpredictable!
Efforts v. defined deliverables
- Is the description concrete and executable or high level and open ended?
- Are personnel, expertise, equipment available?
- Mechanism to extend timeline or change scope

Watch outs: Payments

- Does the budget cover direct and indirect costs?
- Are there costs that can't be cancelled?
- Does payment schedule align with timeline for costs?
- Will the collaboration also use funds from other sources?
- How will equipment be handled?

Delivering the Results: Reports and Data

What it is:

- Description of how results of the work will be shared: frequency and format of reports and other sharing of results
- Format: written, oral reports; raw data, tangible materials
- Access to key personnel
- Access to electronic data warehouse and/or physical premises

Watch outs:

- Time commitments for reports and consultation
- Comply with restrictions, e.g., IRB informed consent, HIPAA, export control

Rights & Restrictions: Balancing Competing Objectives

- Confidentiality
- Publication
- Intellectual property: Patent and data rights

Confidentiality

What it is

- What information needs to be protected
- How it is protected and how it can be used
- What about trade secrets?

Watch outs

- To mark or not to mark?
- Student involvement
- End-run restrictions on publication

Confidentiality

Key: avoid broadly drafted definitions and provisions that could inhibit or conflict with publication rights

For example

First this:

Confidential Information means any information provided by Sponsor or ***related to or derived from Sponsor's information.***

And then three pages later:

University is free to publish results arising out of the research ***provided no Sponsor Confidential Information is disclosed.***

Question: What results can be published?

Publication

Fundamental to university interests

- Open dissemination and free exchange of ideas fundamental to academic freedom and education
- Tax-exempt status: “carrying on of scientific research in the public interest”
- Export control implications
 - Fundamental research exclusion requires no publication restrictions
 - Deemed export exemption based on research without restriction on publication or dissemination of results
 - See Export Administration Regulations, International Traffic in Arms Regulations

Publication

Industry has legitimate business interests to protect

- Protecting competitive advantage
- Protecting against free riding competitors
- Preserving patent rights

Typical resolution

- Preview rights for company, short term delay
 - Review and comment on draft
 - No veto rights or content control
 - Exception for company confidential information
- Additional delay for filing of patent applications
- Common delay times: 30-90 days total (with IP extension)

Intellectual Property Rights

University interests in IP rights

- Promoting practical application for the public benefit
- Go-forward freedom to operate
- Stewardship of institutional assets
- Tax implications

Fundamental to industry interests

- Protecting competitive advantage for products & services
- Go-forward freedom to operate
- Protecting against uncertainty

Intellectual Property Rights: Typical Resolution

- Background IP: ownership unaffected
- Foreground IP: ownership follows inventorship
 - Owned by university if invented solely by university
 - Jointly owned if invented jointly
- Company gets option to negotiate a license
 - Limited term
 - Patent prosecution review rights during option period
 - Patent costs during option period reimbursed
- May include a royalty-free nonexclusive license

Intellectual Property Rights

Watch outs

- “Conceived or first reduced to practice”
- Licensing futures
- Unfunded options
- Joint ownership implications

Intellectual Property Rights: Alternative Approaches

- Sponsor can elect to pre-purchase preferred IP rights
- Provides certainty for sponsor, additional revenue for university
- Eliminates difficult IP issues from contract negotiation

Example: **Iowa State University Flexible Solutions**

- Provides sponsor with choices
 - Traditional terms (option to license)
 - Royalty free license up to year of \$20M in sales, 1% thereafter
 - Assignment to company
 - Sponsor pre-pays incremental fee at the time of contracting

Other examples: MN-IP: Create (University of Minnesota)
Penn State University

Intellectual Property Rights: Tax Implications

- Assignment or prelicensing of foreground IP can have general tax implications for the university
- Sponsored research may result in private use of tax exempt bond-financed facilities

Private Business Use Two IRS Safe Harbors

1. Resulting technology is licensed on same terms as non-sponsoring party would get (competitive pricing) and the price is determined at the time technology actually exists
2. University determines the research and manner in which it is to be performed; retains title to IP; and sponsors get only a non-exclusive, royalty-free license

See IRS Revenue Procedures 97-14 and 2007-47

Risk Allocation: Indemnification

Typical Positions

- General principle: each party is responsible for actions that it controls
- University would like indemnity for company's use of the research results
- Industry would like indemnity for conduct under the control of the university, but:
 - University policy and state law limit indemnities that university can grant
 - State institutions will seek to protect any state sovereign immunity that may be available
- Insurance requirement; may need to name university as additional insured

Indemnification Provision Deconstructed

<i>INDEMNITY:</i>	Company agrees to indemnify, defend, and hold harmless
<i>WHO:</i>	University, its affiliates, and their respective trustees, officers, directors, employees and agents
<i>FOR WHAT LOSSES:</i>	from and against any loss, expense, liability, damage, claim, including reasonable attorneys' fees
<i>FOR WHAT ACTIONS:</i>	arising from Company's use of study results or inventions
<i>WHAT EXCLUSIONS:</i>	except to the extent caused by University's negligence.

Indemnification

Watch outs

- Is it worth the paper it's written on? What resources does the sponsor have?
- Exclusions for events outside University control (e.g., patent infringement, government regs)
- Procedural requirements as conditions

Indemnification: Watch outs

Procedural requirements as conditions

For example:

The parties' indemnification **obligations will be subject to** the conditions that: (a) the indemnified party will notify the indemnifying party within 10 days...

versus

The parties **agree to these procedures** when seeking indemnification: (a) the indemnified party will notify the indemnifying party within 10 days...

Service Agreements

- What they are
 - Routine testing used established methods
 - Use of specialized equipment
- How they are different
 - Established methods with little or no analysis
 - = Low likelihood of inventions
 - Routine testing of company-specific samples
 - = Low likelihood of publishable results
 - Fee schedules or cost structures different

Service Agreements: Special Issues

- Tax, tax, and tax
 - Unrelated business income
 - Private use under tax exempt bonds
 - Restrictions on competing with for profit services
- Student involvement
- Source of funds for equipment
- Access to premises

Additional Resources

- University Industry Demonstration Partnership www.uidp.org
 - Contract Accords; Guiding Principles
- National Academy of Sciences Government-University Industry Research Roundtable <http://sites.nationalacademies.org/PGA/quirr/>
- National Association of College and University Attorneys (NACUA) www.nacua.org
 - See, e.g., The Fundamentals of Sponsored Research in the University Setting (2013), R.E. Bienstock and T.J. Colecchia, available at: http://www.higheredcompliance.org/resources/publications/NewLawyers_05b_13-06-1.pdf
- Council on Governmental Relations (COGR) <http://www.cogr.edu/IntellectualProperty>
- Society of Research Administrators (SRA) <http://srainternational.org/publications>

Thank you!

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