

Malcolm S. Townes

Associate Director, Technology Commercialization & Entrepreneurship
Saint Louis University, Office of the Vice President for Research

Inter-Institutional Agreements: The Potential for Unforeseen Conflicts



Introduction

Disclaimer

The following presentation reflects the personal views and thoughts of the presenter and is not to be construed as representing in any way the views or advice of the presenter's institution, its affiliates, subsidiaries, or divisions, or the views or advice of the Association of University Technology Managers (AUTM). The content is solely for purposes of discussion and illustration and is not to be considered legal advice.



Learning Objectives

- Increase attendees' appreciation of the potential for conflict even when inter-institutional collaborative relationships are amicable.
- Increase attendees' awareness of the importance of incorporating mechanisms into IIAs for handling unforeseen conflicts between institutions.

Please share your own experiences with unforeseen conflicts with other institutions about jointly owned intellectual property.



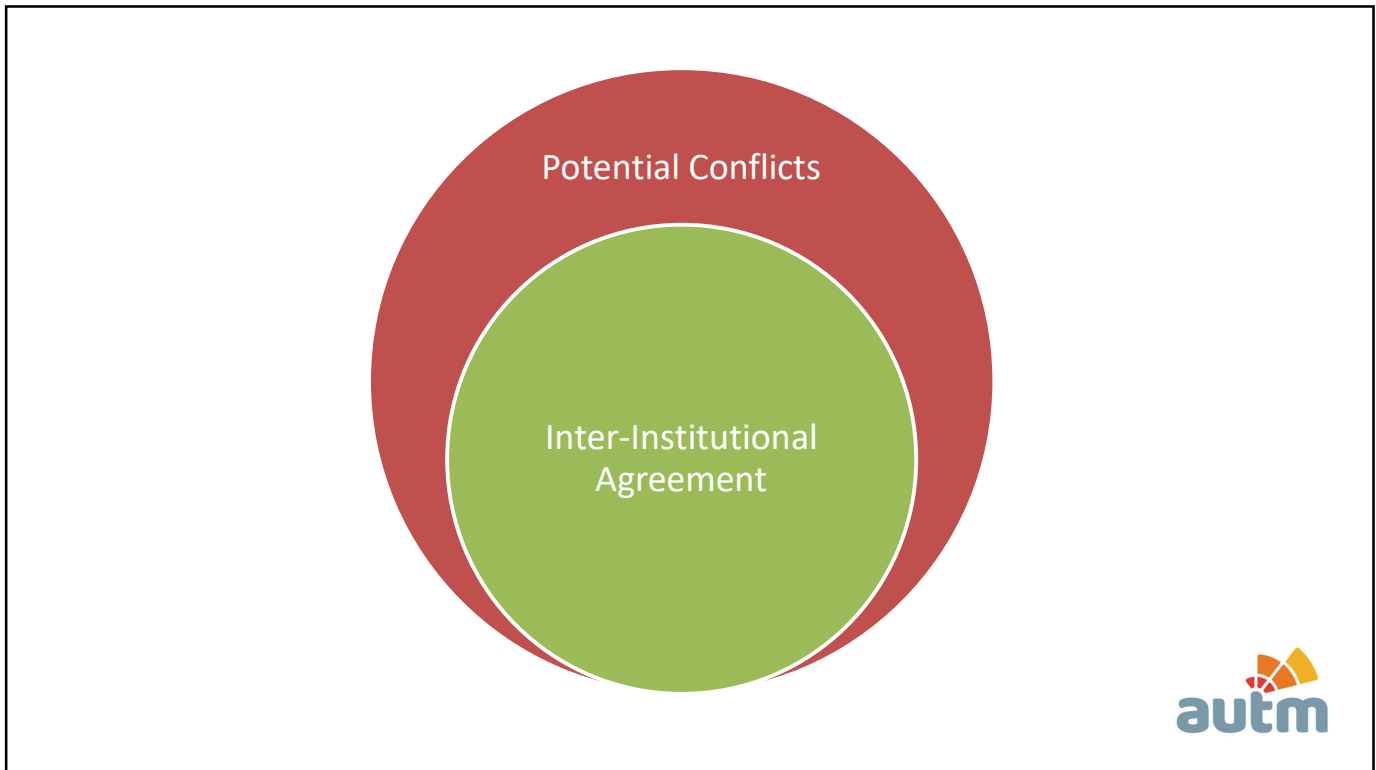
... U.S. science and technology policy has moved from the decentralized support of small investigator-initiated research projects to large scale and oftentimes decentralized, block grant-based, multidiscipline research.

Corley, Boardman, & Bozeman, 2006

This trend [increasing rates of inter-institutional collaboration] is strongly expressed by most major universities and suggests that the structure of research is evolving towards a highly networked model of production...

Demaine, 2022





References

- Corley, E. A., Boardman, P. C., & Bozeman, B. (2006). Design and the management of multi-institutional research collaborations: Theoretical implications from two case studies. *Research Policy*, 35, 975-993. doi:10.1016/j.respol.2006.05.003
- Demaine, J. (2022). Fractionalization of research impact reveals global trends in university collaboration. *Scientometrics*. <https://doi.org/10.1007/s11192-021-04246-w>

IIAs: The Potential for Unforeseen Conflicts



Hannah Dvorak Carbone, PhD, RTTP
February 3, 2022

The following presentation reflects the personal views and thoughts of Hannah Dvorak Carbone, and is not to be construed as representing in any way the corporate views or advice of the California Institute of Technology and its Affiliates, Subsidiaries or Divisions, nor the views or advice of the Association of University Technology Managers (AUTM). The content is solely for purposes of discussion and illustration, and is not to be considered legal advice.



Research institutions use IIAs to manage joint IP



What does an IIA do? Seems pretty straightforward...

Typical IIA (including Model IIA)...

- Defines jointly-owned IP covered by agreement
- Gives one party “lead” on patent prosecution and licensing
- Sets terms for sharing of patenting costs and licensing revenues, and may set an admin fee
- Stipulates terms that “non-lead” party requires in a license of joint IP

... but sometimes it goes very wrong



UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

Nos. 18-3795 and 18-3827

WASHINGTON UNIVERSITY,
Appellant in

v.

WISCONSIN ALUMNI RESEARCH FOUNDATION,
Appellant in No. 18-3795

News UW-Madison Campus

UW patent arm ordered to pay Washington University \$32 million in damages for violation of patent agreement

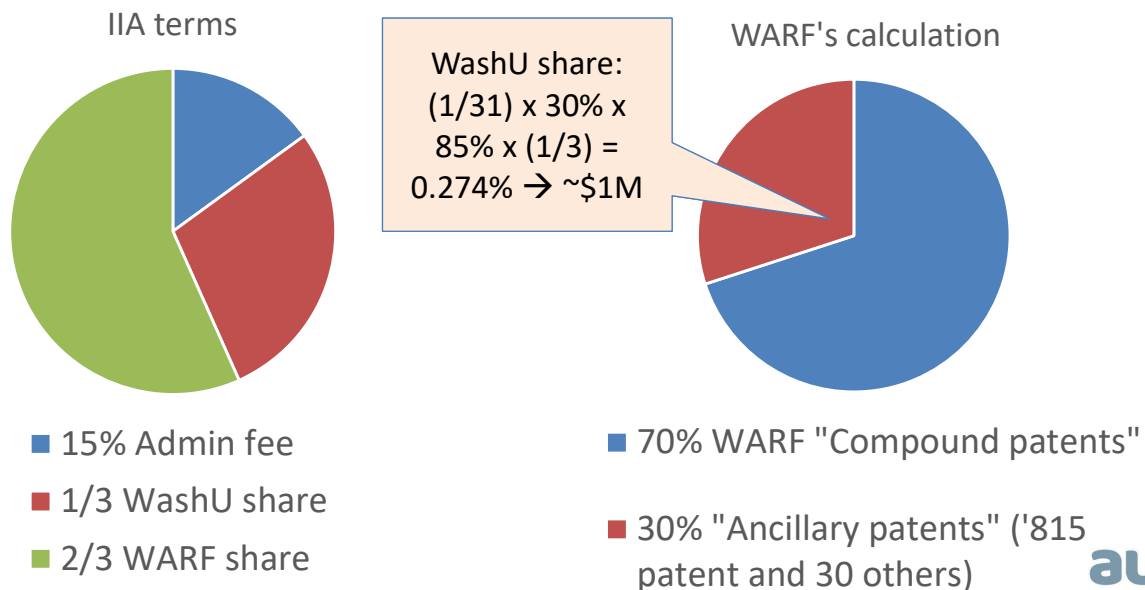
Ruling found WARF 'systematically diluted the relative value' of patent



The history

<p>1995, 1998</p>	<p>WARF and WashU enter into IIA covering jointly-owned US Patent 5,597,815</p> <ul style="list-style-type: none"> • WARF had lead on licensing • "WARF shall have the authority to assign relative values to Patent Rights and/or Property Rights, and other patent and/or other proprietary rights as are included in any such license"
<p>Late 1990s</p>	<p>WARF licenses '815 patent, along with many WARF-only patents, to Abbott</p> <ul style="list-style-type: none"> • '815 patent identified as "ancillary patent" along with 30 other WARF patents, with collective allocation of 30% of value
<p>1998+</p>	<p>Abbott launches kidney dialysis drug Zemplar, covered by licensed portfolio</p> <ul style="list-style-type: none"> • WARF receives ~\$427M in royalties from Abbott license and enforcement actions (including the '815 patent), of which • WARF pays WashU \$1M based on "relative value" allocation
<p>2001+</p>	<p>WARF sends WashU royalty calculation letter and regular royalty payments</p>

The nitty-gritty calculations and itty-bitty result



The litigation

2013	WashU sues WARF for breach of contract, breach of fiduciary duty, breach of the implied covenant of good faith and fair dealing, and equitable accounting <ul style="list-style-type: none"> • '815 patent was one of only 5 patents in FDA Orange Book for Zemplar • '815 patent asserted against generic drug manufacturers (WashU subpoenaed)
2016	District Court granted summary judgment to WARF on basis of statute of limitations
2017	Summary judgment reversed on appeal; IIA did not provide for re-assessment of value '815 patent
2018	District Court awards \$32M in damages to Wash. U., plus interest (possibly another \$15M)
2020	WARF appeals, invoking statute of limitations again; 3rd US Circuit Court of Appeals upholds, stating that WARF "actively concealed, and refused to share necessary information"

The analysis

“The legal battle appears to have centered on a Wisconsin statute imposing the implied covenant of good faith and fair dealing between parties to a contract under Wisconsin law. Ultimately, aside from this implied covenant, based on the facts presented in the court papers, WARF appears to have followed the letter of the contract.”

OBLON

--WASHINGTON U. v. WARF – An Implied
Covenant Wins the Day, 12/10/2018



The takeaways

- *“...it is crucial to maintain constant communications with collaborating partners about all active inter-institutional agreements...”*
- *“it is critical for the parties to ensure that issues are identified and addressed in a timely manner...”*
- Shout-out to the Model IIA: *“The 1995 [WARF-WashU] IIA included only a clause for the record-keeping of costs and income from licensing activities by the lead institution; however, the AUTM Model Inter-Institutional Agreement includes language for the nonlead institution to examine the books and records...”*

 **STOUT**

--Have You Gotten What You Bargained For?
Royalty Share Underpayments on Inter-
Institutional Agreements, 1/29/2019



But would the Model IIA have helped?

Model IIA language on value allocation:

4.3 Allocation of Proceeds. If the Lead Institution licenses the Patent Rights together with other patent or intellectual property rights controlled by Lead Institution that are not covered by this Agreement, the Parties will negotiate in good faith to determine the portion of the gross licensing proceeds received under the License Agreement that are attributable to the Patent Rights.



Audience poll: Model IIA

- Have you heard of the Model IIA?
(yes/no/not sure)
- Have you or your office actually used it? (yes/no/not sure)



Model IIA: Status

- Current version went “live” in 2015
- As of January 2022, 73 institutions have confirmed willingness to use Model IIA template as starting point for negotiation
- Template agreement hosted at www.modelIIA.org and linked from AUTM “Surveys and Tools” web page



Model IIA – what more is needed?

- Covers patents only: not copyright, tangible materials, data, or know-how
- Multiple options offered when a joint owner declines to pay its share
- Does not cover joint litigation
- Still have to work out the financials: by # of inventors, # PIs, other assessment of relative contributions?

Other IIA perils and pitfalls

- IIA \neq collaboration agreement or Joint Research Agreement
- Can lead still license non-exclusively?
- How much say does the non-lead have?
 - Approval? Signature?
 - Financial terms?
 - Non-financial terms?
- Compliance when only non-lead has federal funding and hence Bayh-Dole obligations



The financial fine print

- Pro-rating/value allocation
- Full reimbursement by licensee of shared patent costs
- Administering the administration fee
- Distributing equity to joint owners – and their inventors?
- What if an inventor assigns jointly to both owners?
- Financial obligations to additional parties, and sequencing thereof



Audience poll: When to enter into an IIA?

- At invention disclosure?
- At (non)provisional patent filing?
- When option/license is imminent?
- Other / it depends?


Each has pros and cons!



Thank you! Questions?



Model IIA: History and process

- Initiated between 3 SoCal schools
Caltech **USC** **UCLA**
- Grew to a larger group with the aim of creating a “universal” (at least for US TTOs) IIA
- Task force iterated on a standard agreement, published in 2013 and revised 2015
- Informed by  JIAA



Model IIA: What we learned

- Consensus reached in most areas
- Focus on most common use case (patented IP only)
- Can separate out negotiated terms in term sheet or appendix
- “Endorsement” is hard;
 “willingness to use” is easier



PPMA

- Preliminary Patent Management Agreement (Model IIA “lite”)
- Further streamlining/simplification for when a full IIA isn’t warranted
- Allows for management of a jointly-owned invention in absence of a licensee

