

Intellectual Property and Related Rights: Issues when a Researcher Moves to another Organization

Gail Norris, JD

Gail M. Norris, JD, is director of the University Technology Transfer Office and senior counsel at the University of Rochester in New York.

Introduction

Intellectual property (IP) policies of most academic research institutions provide that IP developed by researchers using the institution's resources shall be owned by the institution.¹ As the concept of IP continues to develop and expand, myriad issues arise around ownership and use of that property when a researcher leaves.

What can be taken by the researcher when he or she leaves one university for another? What should stay at the university? Are there areas where the rights of the researcher and the university in research material overlap? If the researcher's departure is the result of a failure to receive tenure or perceived disputes, the ability to address and agree on the appropriate allocation of rights may be more difficult, but also more important.

Because of the ever-increasing emphasis on technology creation at academic research institutions and the mobility of researchers, research institutions should closely examine their policies and practices relating to the documentation and ownership of research material and intellectual property. There have been two recent and high-profile court cases that have highlighted this need to stop and think when a researcher moves to another organization.

The first case, *Madey v. Duke University*,² involved a dispute between Duke and John Madey, PhD, a former faculty member. Madey brought several patents with him when he came to Duke, and he proceeded to use them in his research facilities at Duke during the decade or so that he worked there. He left Duke after being removed as lab director, and

then sued the university claiming that Duke continued to use his inventions in the lab after he left and, thus, infringed his patents.

Duke argued that Madey's patents were used at Duke purely for noncommercial research and, as such, were subject to the experimental-use defense to patent infringement.³ The court rejected Duke's argument and ruled that the experimental-use defense is not determined by the commercial nature of the research. Rather, it is determined by whether the use is in further of the institution's legitimate business objectives, "including educating and enlightening students and faculty."⁴ Therefore, Duke was unable to continue to use Madey's patents without his permission.

The second case, *Catalona v. Washington University*,⁵ involved a dispute between Washington University of St. Louis and William Catalona, MD, a renowned prostate cancer specialist who had been on Washington University's faculty. While there, Catalona and others established a tissue repository for prostate cancer cells. When Catalona left the university, he attempted to transfer some of the samples to his new employer.

The university refused, and a civil action was filed by Catalona and a handful of donors. Both Catalona and the donors insisted that the tissue samples were donated to him, not the university, and that they should be able to follow him to his new place of employment. The court disagreed and ruled that, based on (1) the language in the consent forms used and (2) the fact that the tissue samples were donated to Washington University and maintained at the university's expense in its biorepository, the samples were owned by the university.

These two cases are examples of ways the IP rights of a researcher and a university can be tested when the researcher and the university separate. To avoid expensive and high-profile litigation, researchers and universities should understand their relative rights and obligations and discuss the ownership issues before a dispute arises. Resolution of these issues necessarily depends on the facts and circumstances of the particular situation as well as the IP and other policies of the university.

This chapter outlines the IP issues that frequently arise when a researcher leaves an institution. They can serve as the basis for a checklist of considerations that should be addressed prior to the researcher's departure so that there is no ambiguity or misunderstanding between the parties regarding the use and ownership of research property.

Intellectual Property Issues when Researchers Move

Intellectual Property that Is Covered by a Patent Application or an Issued Patent

Under most university IP policies, an inventor using substantial university resources or federal research funds must assign ownership of resulting invention to the university. In exchange, the inventor shares any royalties that come from the commercial licensing of the invention. When an inventor leaves the university, therefore, the university still owns the invention. If the inventor wishes to continue to use the invention after he or she leaves, the old and new employers should arrange for a license. In the spirit of encouraging open academic research, this would typically be done through the grant of a royalty-free, nonexclusive license to use the invention for research or educational purposes.

As a practical matter, most universities are so committed to the mission of open dissemination of knowledge that it may seem like unnecessary work to put in place a formal license just for permission for one university to use another's patent for its academic purposes. If you work in the research or technology transfer office of the inventor's new institution, however, you may want to insist on the license to preserve the right to use the inventor's work into the future.

For instance, if the inventor's former institution licenses the patent to a commercial entity, sometimes the license does not reserve to the licensor broad enough rights to allow the inventor to use the patent at the new institution. Trouble could be created down the road if the inventor comes up with a new invention that is derived from its use of the first patent.

If the inventor leaves to go into a business instead of academia, or if the license will not be restricted to noncommercial uses the license may have different terms negotiated on

the potential commercial use of the patent. For example, if the inventor is leaving the university to work in a startup company that will commercialize the invention, conventional licensing terms will be negotiated.

For patents that have not yet issued, the university should discuss pending patent applications with the departing inventor to ensure that the inventor will be available to cooperate if help is needed in responding to office actions or other aspects of the patent's prosecution. Inventors should be reminded that there is good incentive to cooperate since, under most university IP policies, the inventor will share in any royalties received from the license of the patent even after he or she has left the university. The inventor and his or her new employer should consider licensing the patent application in the same manner as discussed above for an issued patent.

In cases where patent ownership lies with the inventor, the university that is losing the inventor must negotiate a license if it would like to use the patent after the inventor leaves. This may be especially important if the invention is the subject of externally funded research work that will be ongoing at the university.

Inventions that Are Partially Developed at both Institutions

Most scientific work of a researcher will continue after he or she leaves one institution and moves to another. The ongoing, fluid nature of this research work can create some interesting ownership issues. To be able to unravel them, it is important that the parties have some idea of the status of the researcher's work at the time he or she changed jobs. Under current patent law and university policies, inventive claims in a patent that were first reduced to practice at one university will result in ownership of the patent by that university.⁷ If claims in a patent were first reduced to practice at two different institutions, then joint ownership of a patent will result.

For IP that is jointly owned by both institutions, an interinstitutional agreement may be entered into to define the relative rights and responsibilities among the parties. Similarly, interinstitutional agreements can be used if the researcher develops follow-on intellectual property at his or new institution that can be filed as a continuation or a continuation in

part to the original patent. It may also be beneficial to the parties to use an interinstitutional agreement to bundle patents with common inventor(s) that are separately owned by each institution but most effectively marketed by packaging them together into one portfolio.

Research Material and other Forms of Intellectual Property

Research institutions should be aware of any material from the researcher's laboratory that moves with him or her to the new employer. Research material that was developed at a researcher's prior institution should be moved to his or her new institution under a material transfer agreement (MTA). This can easily be done through the uniform biological material transfer agreement (UBMTA) or a standard MTA used between academic institutions. Different terms may be required in the agreement if the research material will be used for commercial purposes instead of exclusively for research or educational purposes, as may be the case if the researcher moves into an industry job.

If a scientist has research material that was previously received under a MTA from a third party and that he or she wishes to continue to use at his or her new institution, best practices dictate that the research materials should not be transported to the researcher's new laboratory. Rather, the new institution should request new materials directly from the original third-party source under a new MTA. Occasionally, the MTA may be able to be assigned to the new institution, but careful attention should be paid to the terms of the agreement and to any differences in the intended use of the materials at the researcher's new employer.

If the departing researcher has developed know-how or other technical information that can be captured as an IP asset of the research institution, the ownership and rights to this property should be considered as well. This would be particularly true in cases where the specific know-how of the researcher was licensed along with a patented invention.

Copyrighted Material

As a general rule, the 1976 Copyright Act⁸ gives copyright ownership to the employer for any work prepared by one of its employee's within the scope of his or her employment.

This is based on the premise that the employee was paid by his or employer to prepare the copyrighted material and so it was work for hire and owned by the employer.

Traditionally under many university policies, however, professors have owned the copyright to their scholarly books and articles. But what about other types of copyrighted materials that are not textbooks or articles? With the advent of distance learning, Web-based software, and other types of digital media, old copyright policies are often not sufficient to clarify ownership of these types of works. New policies are being developed at many institutions that attempt to re-define copyright ownership between the university and the employee-author to encompass the many new forms of digital or electronic authorship.

The first step in addressing copyright ownership issues is to identify any copyrighted material that the researcher is taking. This would include computer software programs or written, audio, or visual works of authorship. To determine copyright ownership, the facts surrounding how and when the work was created as well as existing university policies should be examined. Special attention should be given to educational or research materials that the university intends to continue to use after the author leaves (e.g., analytical or computational software used in a laboratory, course curriculum materials, teaching modules, etc.) since the right to use that material should be clear between the parties.

Once ownership of the copyrighted material is determined, the issues created when the author leaves can be analyzed in much the same way as discussed above for patents. Copyrighted works owned by the first university can be licensed to the second university so that the author can continue to use them for his or her research or teaching. Copyrighted material that is first developed at, and owned by, one institution, and then improved at the next, will be jointly owned by both, and an interinstitutional agreement can be entered into. Copyrighted works owned by the author can be licensed to his or her former employer if the university wishes to continue to use them after the author leaves, as may be the case with teaching material that will continue to be used in a course or analytical software tools that are used in a laboratory.

Other Non-Intellectual Property Interests to Consider

External Research Awards

Research grants and contracts with federal or state agencies or with industry do not often address the issue of what should happen if the principal investigator (PI) should leave the university. Research personnel should talk with any PI who is leaving the university to discuss the status of the research project. There should be mutual agreement on what is needed for the finalization of the research project and who is responsible for its completion.

Issues relating to whether the extramural funding can or should move with the PI to the new institution, how the remainder of the research project should be carried out, what is required under the funding documents for changing PIs or notifying the funding source of personnel changes, etc., are beyond the scope of this chapter but should be considered by the university's research personnel and department chairs.

Research Data

When researchers leave an institution, they will usually believe it is necessary to take all of their research records with them. Conversely, OMB Circular A-1109 specifies that financial records, supporting documents, statistical records, and all other records pertinent to a federally funded award shall be retained by the institution. This requirement has resulted in the adoption by many universities of a policy that requires the university to own and retain all data created using federal funds. Some university policies are even broader and seek to retain data for all extramurally funded research projects or which was used to support patent applications so that the university has access to the data if necessary to support the patent during prosecution or litigation.

While the researcher works at the university, the original data generated from research is typically kept in his or her personal files or laboratory notebooks and conveyed as needed for reports or publication. Typically, there is no requirement that the data be stored in a place that is readily identifiable and accessible to university officers.

When a researcher leaves, however, the researcher and the university must provide for the university's access to the data. Sometimes this will require that two copies of the data be made for each party. Sometimes it may be easiest for the university to hold the data and make it available for the researcher on an as-needed basis. Or it may be that the researcher is allowed to take the data with him or her and make it available to the university on an as-needed basis. If the latter is the case, the university must ensure that the data be retained for the record-retention period required by its policy (taking into account any license obligations or requirements of the funding sponsor).

Research Animals

If the researcher would like to ship research animals from one university to the other, there may be procedures or approvals required by the university's animal research review body. In addition, the transfer of animals may be subject to laws and regulations such as the federal Animal Welfare Act and the U.S. Public Health Service's policies on the care and use of laboratory animals. Animals being transferred may need to undergo quarantine required by the university accepting the animals to ensure that there is no risk of pathogens entering its vivaria.

Equipment

Transfer of equipment among institutions often depends on the source of funds used to purchase it. An institution will usually prohibit the transfer of equipment purchased with its own funds. Most institutions will permit the transfer of equipment purchased using federal funds to the PI's new employer, particularly if the project will continue at the new institution. As is the case with the transfer of extramurally funded research grants, a review of the documentation and the requirements of the sponsor should be undertaken to see if the sponsor has imposed constraints on the ownership or transfer of equipment funded by it.

Personnel

When a senior researcher announces he or she is leaving, university officials should anticipate the possibility that other personnel will follow the researcher to his or her new

employer. Ideally, the departing scientist and university personnel should have open discussions regarding the scientist's staffing needs at his or her new institution. This discussion should include which existing colleagues he or she has identified as potential candidates at his or her new institution. The better the university can anticipate staffing shortages due to the researcher's migration, the easier it will be to proactively address them.

Conflicts of Interest, including Legal Representation

A researcher's departure from the university may create institutional conflicts of interest or other relationship issues with outside professionals. This is especially likely when the inventor leaves for a position in a for-profit company. A typical example arises when the researcher leaves to form a startup to commercialize technology. While the researcher was employed at the university, the researcher and the university's patent lawyers have likely been in contact as claims in the patent have been drafted and prosecuted. Then, the researcher leaves to form a startup. The company usually is looking for equity investors and legal representatives, as well as a license of the technology.

Institutional conflicts of interest arise if the university is an equity investor in the startup and the licensor of the technology. Institutional conflicts of interest may also exist if the startup also enters into a sponsored research agreement with the university so that some of the research can be continued in the researcher's former laboratory.

It may also be natural for the researcher to approach the law firm prosecuting the patent with a request to represent the company in general corporate matters. Under the ethics rules of most states, the law firm has a conflict of interest and cannot represent both parties without a written waiver from each of them.

In each of these situations, the university should carefully consider the advantages and disadvantages of permitting the conflicts to continue. If it is more advantageous for the university to allow the conflict to continue, a clear idea of how the conflict will be managed in the future should be developed. With institutional conflicts of interest, this may be done through a conflict-management plan. With law firm representation, the waiver letter may contain certain stipulations for future events. For instance, the law firm may

be required to agree not to represent either party in the event of litigation between the two in the future.

Best Practices: Exit Interviews

This chapter provides an overview of the questions that can arise when a researcher leaves a university. These questions should be used to create a framework for the policies and procedures that should be in place to govern how they should be answered. At a minimum, technology transfer personnel should understand where there may be gray areas in university policies so that issues can be identified and addressed with the departing researcher.

Ideally, an exit interview should be conducted with the departing scientist. In the exit interview, the appropriate university official should review any pending or issued patents, the status of inventive work done under research projects; the use by the parties of any copyrighted materials authored by the departing researcher; the status of all extramurally funded research projects and the plans for the project's completion; whether the researcher wants any research materials, animals, or equipment transferred; and how research data will be available to the parties.

The exit interview will afford the parties the opportunity to work through any ambiguities or differences in expectations that exist and ensure that the university maintains rights it has to its IP and research assets. At a minimum, the university must be able to contact the researcher following termination of employment.

Advice for the Researcher's New Employer: Reverse Engineer these Issues

Since IP or other rights may be lost to a university if a researcher leaves, much of the focus of this chapter has been on the identification and clarification of issues between the researcher and his former institution. Nevertheless, the researcher's new institution also has an interest in identifying potential issues so it doesn't find itself in the middle of a dispute between its new employee and institutional colleague. When a researcher comes to your university, it may be helpful to take the considerations addressed in this chapter and reverse engineer them to apply them to your institution.

The new employer should have a good idea at the outset of the employment relationship (1) what IP rights the researcher has and which rights are retained by his or her former employer and/or otherwise granted to third parties and what obligations followed the researcher, (2) what extramurally funded research projects may be following the researcher, and (3) what research materials he or she is bringing from his former institution. This initial review should serve to identify issues that may present themselves in the future or which were not adequately resolved between the researcher and his or her old employer. Early identification of issues or concerns means that the parties have a better chance to proactively resolve them before a serious dispute arises.

Notes

1. See, e.g., University of Rochester intellectual property policy stating, “ownership of a discovery of invention will vest in the university if it results from the significant use of university resources, is an institutional work, or arises out of an externally sponsored research project, consistent with the agreement(s) governing such research.” Stanford University intellectual property policy stating, “All potentially patentable inventions conceived or first reduced to practice in whole or in part by members of the faculty or staff (including student employees) of the university in the course of their university responsibilities or with more than incidental use of university resources, shall be disclosed on a timely basis to the university. Title to such inventions shall be assigned to the university, regardless of the funding source, if any.”
2. *Madey v. Duke University* (307 F.3d 1351, 2002).
3. For an explanation of the experimental-use exception in patent law, see Jennifer Miller, “Sealing the Coffin on the Experimental Use Exception,” *Duke Law and Technology Review* 0012 (2003).
4. *Madey v. Duke University*, *supra*, endnote 2, p. 1362
5. *Catalona v. Washington University* in St. Louis⁵, Memorandum Opinion, 3/31/2006 US District Court, ED Missouri, Affirmed, US Court of Appeals, 8th Circuit, June, 2007.
6. Under the Bayh Dole Act (35 USC §§ 200-212), the research university is given the legal right to elect title to inventions arising out of its federally funded research projects.

7. Although patent ownership is governed by the laws of each country, laws generally provide that, barring contrary policy or contractual obligations, the inventor(s) is (are) the owner of the patent. Most university intellectual property policies require inventors to assign ownership of patents developed using university resources to the university. See, *supra*, endnote 1.
8. Pub. L. 94-553, 17 U.S.C. §§ 101 - 810.
9. OMB Circular A-110 (Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations) Section __.45(a).