Patent and Other Intellectual Property Donations

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Introduction

Most professionals working in technology transfer will encounter a patent donation at some point in their careers. Few will know where to turn for assistance and even fewer will have previous experience in this area. This chapter is meant to provide a framework for assessing and implementing patent and other intellectual property donations.

Overview

Donations can be a useful tool in technology transfer but should not be conducted informally or without careful consideration of the circumstances and potential consequences for both the potential donor and the potential recipient.

The wide variance of laws and regulations between countries, states, local governments, and individual institutions make it impossible to provide specific instructions for handling a patent donation in all circumstances. However, some generalities remain true for all donations. Below is a summary of steps to follow while proceeding successfully through a patent or other intellectual property donation.

1. Establish a knowledgeable team and designate a donation coordinator.
2. Gather facts and understand your circumstances.
3. Determine how to proceed.
   a. Decline a patent donation.
   b. Accept/offer a patent donation.
   c. Propose some other means of transferring the technology.
4. Implementing the donation.

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5. Postdonation activities.

Step One: Establish a Team of Experts and Designate a Donation Coordinator

Conducting a patent donation requires experience, expertise, and skill in a variety of fields including: negotiations; science; technology evaluation; market assessments; federal invention reporting; and tax, patent, and contract laws. It is unusual to find this range of expertise in one individual. As a result, it is best if the donor and potential recipient each establish a team of experts and designate a representative to coordinate the efforts of its respective group of experts. Designating these two individuals can greatly expedite communications between the two organizations and minimize the potential for miscommunications.

This step may seem overly bureaucratic, but seeking this expertise is crucial to achieving a successful donation that advances the technology's commercial and scientific potentials. Be assured, no committee meetings of this team are needed to complete the donation agreement. The involvement of these individuals can be as informal as your organization's culture permits. However it is crucial that someone in your organization obtain input from these experts. Not doing so may cause damage to your organization's relationships with the researchers and other organizations involved in the potential donation (including any federal agencies that funded the donated technology).

At a minimum, make sure your team includes individuals with some combination of expertise in as shown in Table 1.

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Table 1: Expertise

Expertise	Role in Donation
Organization administrator	• Identify relevant formal and informal organizational policies
The field(s) of science related to the technology	• Evaluating the technology
Patent law	• Assess patentability of technology • Assess existing patent applications and/or patents • Prepare any formal assignments
Contract law	• Interpret donor agreement language in light of relevant case law
Accounting/tax law	• Ensure your organization understands all financial repercussions of donation
Federal invention reporting (Bayh-Dole Act compliance)	• Determining whether technology was supported by federal funding • Assessing whether invention reporting on track before donation • Ensuring compliance after donation • Coordinating release activities and related paperwork with federal funding agency and donator

Step Two: Gather Facts and Understand Your Circumstances

The purpose of this step in the process is to determine whether a donation is appropriate and beneficial to your organization. Donors and recipients need to carefully consider if they have found the best match for moving the technology forward scientifically and commercially. Unfortunately this step can be labor intensive and tempting to either skip over entirely or to devote only minimal resources to investigate. Resist these temptations and fully investigate the circumstances surrounding each proposed donation. Not doing so could place your organization in an extremely difficult position.

Rules and Regulations Landscape

Many rules and regulations may impact either the terms of the donation agreement or your organization after the donation is completed. These rules and regulations may be at

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any level of government or even within your own organization. Without identifying and responding to these rules and regulations, your organization risks noncompliance and the resulting negative consequences.

Bayh-Dole Act and Federal Agency Invention Reporting Requirements

First, determine whether the technology being considered for donation was supported by federal funding. Federally funded inventions can still be donated, but the federal agency that provided the financial support must be involved in the process. Specifically, the donor will need to release the technology to the appropriate federal agency that can then pass the technology on to the recipient.

When beginning a donation of a federally supported technology, locate the appropriate individual(s) within the federal agency and provide them with preliminary notice of what the donor and recipient hope to accomplish and why the donation is desirable. You will need to comply with all paperwork and other requirements the federal agency indicates are necessary. Utilize the iEdison Web site (www.iedison.gov) as much as possible to locate agency contacts and facilitate the return to the agency.

Even after the donation is complete, federally funded technologies will have additional federal invention reporting compliance requirements that will require additional reporting to the federal agency by the donor. In addition, the Bayh-Dole Act will require the recipient to share revenue related to the federally funded technology with the inventors. This will include the inventors still located at the donor's institute and will involve keeping in touch with the donor's inventors as their careers progress.

Internal Policies and Politics

The next layer of rules and regulations to be explored are those at your own organization. Institutions can have a surprising number of older formal and informal policies that are either directly or indirectly related to donations. Begin by exploring your organization's and any parent organization's formal policies concerning donations and determine what terms would be needed in a donation agreement to accommodate these policies. Next, determine whether your organization has any practices, informal policies, or strong cultural

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biases that would make this particular donation difficult to implement. In investigating this step be sure to include in your inquiries and analysis the specific people and technology involved in this particular donation.

Rules and Regulations Impacting Finances

Lastly, explore any rules and regulations involving finances that may impact the donation or cause the donation to impact your organization financially. A change in 2004 to the U.S. regulations concerning tax deductions related to patent donations diminished the financial windfall to donors. Due to the 2004 changes, donor tax deductions related to the donation were linked to revenues associated with the donated technology received by the recipient. U.S. regulations also require recipients to report revenues related to the donated technology for the life of any patents. Small errors in considering a donation or in negotiating a donation agreement can have large financial consequences for both parties. Therefore it is imperative for both donors and recipients to check with experts in this area before proceeding with a donation.

Evaluate the Technology

Technologies being considered for receipt via a donation should be evaluated at least as rigorously as the organization evaluates new invention disclosures. Follow your organization's existing evaluation methods but also consider the following factors. First, is additional research needed to advance the technology and, if so, how will it be funded, who will direct the research and where will it be conducted?

Next, consider the existing intellectual property protection. Do the existing patents provide adequate protection for the technology? Is there enough potential in the existing patent applications to obtain adequate protection for the technology? Is the patent portfolio too large or too small? If more patent applications are needed, where would the funding and detailed scientific expertise be found?

Lastly, consider whether this is a technology your organization would benefit from adding to its intellectual property portfolio. Is there an adequate market for the technology? If not, does the technology meet some social need? Does your organization have the resources to see the technology brought to market?

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Understand the Donor

Donations can come from a number of sources and for a number of reasons. Understanding the donor's goals and motives can greatly assist your organization in evaluating a potential donation and negotiating a donation agreement that pleases both parties. Table 2 is a list of potential sources of donations and possible motivations for each. This list is not meant to be inclusive, but instead to prompt you to consider this factor in your evaluation of the potential donation and your negotiation and monitoring of a donation agreement.

Table 2: Sources of Donation

Donation Source	Possible Motivations
Alumni or other benefactors	• Giving back to organization or community • Loss of interest or resource(s) to pursue project independently
Industry	• Closure of a research area favored by a very important person (VIP) in that business who believes in the technology • Budgeting purposes • Change in business goals • Transfer of a research VIP from the business to a research organization
Other universities or research institutions	• Transfer of researcher from one institution to another • Reorganization of research institute • Bundling of technologies

Caution

When approached by anyone wishing to make a donation to your organization, be as interested and respectful as possible during the initial contact and research the potential donor as thoroughly and quickly as possible after the initial contact. During the initial contact gather as much information as is reasonable under the circumstances regarding the individual, his or her organization, the technology, and the reasons and goals for the donation.

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Step Three: Determine How to Proceed

Declining a Donation

When your organization decides to decline a donation, this information should be communicated to the potential donor as quickly as possible. Promptly declining a donation enables the donor to approach another potential recipient and ultimately move the technology forward in a timely manner.

These communications will vary greatly depending on the specific circumstances surrounding each potential donation. However, it is good practice to verbally communicate your organization's intention to decline the donation and follow up with a written communication formally declining the donation. Carefully consider which individual(s) in your organization will handle each communication. For example, the potential recipient's designated donation coordinator may verbally communicate the potential recipient's intention to decline the donation and also prepare a formal letter that is signed by the organization's chancellor or president.

While it is not necessary to spell out your reasons for declining a donation, doing so can help the potential donor understand your organization's motives for declining such a valued technology. Providing such an explanation can also help the potential donor understand what types of technologies and circumstances may be a good donation match for your organization in the future. Table 3 is a small list of possible reasons for declining a donation to facilitate the preparation of these communications.

While declining a donation, always keep in mind that the next technology offered by the same potential donor may be a better fit and something your organization will want to receive. Your organization's interactions with potential donors should prompt potential donors to want to interact with your organization again in the future. Even if future donations seem unlikely, the potential donor may someday become a benefactor, licensee, or interested in sponsored research or clinical trials at your organization. Interacting promptly and in a manner understandable to the potential donor will increase the chances that your organization will be considered for these future activities.

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Table 3: List of Reasons for Declining a Donation

While the donation technology is an excellent technology with a lot of promise, it is not a good match for [insert name of the potential recipient] because…
• While [insert name of the potential recipient] is strong in [insert A, B, and C] areas of science, I believe we currently lack the expertise in the area of science needed to move the donation technology forward. • Fully developing the technology will require more business resources and expertise than [insert name of the potential recipient] currently has available. • We believe a startup would be needed to develop the technology further and [insert name of the potential recipient] has already allocated all of its business development resources for the next few years. • After reviewing [insert name of the potential recipient] existing intellectual property portfolio, we determined that the donation technology would not be a good fit. • There is too great a financial risk for [insert name of the potential recipient] to accept the donation.

A Note for Donors

Once a potential recipient has communicated that it does not wish to agree to a donation, accept the organization's decision. Your next step may be to identify another, better match for the donation or you may develop a new plan for the technology (perhaps forming a startup yourself, further developing the technology in-house, or abandoning the technology). However you proceed, be thankful that your organization avoided becoming entangled with an organization not truly committed to participating in a donation or moving a donated technology forward scientifically and commercially.

Proceeding with a Donation and/or Proposing Some Other Means for Transferring the Technology

Once you have determined that your organization would benefit from working with a technology you will need to determine the best means for transferring the technology from one organization to another.

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Donations are only one of many means for transferring patents or other intellectual property from one organization or individual to another. Since donations are a fairly drastic and often irreversible course of action, it is important to carefully consider whether a donation is the best means for accomplishing your goals. However, if your organization's team of experts has done its job, this should be one of the easiest steps in the process. Table 4 is a list of possible modes for transferring the technology.

Table 4: Possible Modes for Transferring Technology

Transfer Means	Results
Donation	Gives ownership of a technology to another, sometimes in a conditional manner with return to the donor if milestones are not met by a recipient
Exclusive license for all fields and a worldwide territory	Grants one non-owner the exclusive right to utilize technology for a limited timeframe
Nonexclusive licenses or exclusive licenses for specific fields or territories	Grants several non-owners the right to utilize the same pieces and/or different pieces of a technology in the same and/or different locations for a limited timeframe
Confidential disclosure agreement or nondisclosure agreement	Grants one or several non-owners the right to utilize know-how for a limited timeframe and usually for a specific purpose
Material transfer agreement	Grants one or several non-owners the right to utilize research materials or know-how for a limited timeframe and usually for a specific purpose

Step Four: Implementing a Patent or Other Intellectual Property Donation

After it has been determined that a donation is necessary, documents related to the donation must be prepared, the terms of those documents must be negotiated, and the technology must be actually transferred after the donation is complete.

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Negotiating the Donation

Negotiations for a donation are very similar to those for other types of agreements. The most significant differences is that the donor and recipient will need to first negotiate and agree to what documents will be used to complete the donation.

Assignments and Other Documents Related to Donations

When you have verified that a patent or other intellectual property donation is the best means for transferring the technology, the donor and recipient organizations will need to agree on what agreements and other documents to use to complete and document the donation.

Assignments

The most basic and informal of patent and other intellectual property donations should involve a formal assignment of the technology from the donor to recipient. The assignment should clearly identify what is being assigned and should reference any formal protection sought for the technology such as patent applications, trademarks, servicemarks, copyrights, etc. If no such formal protection exists, the assignment should clearly identify the technology via references to invention disclosures or other means of description (such as materials describing know-how). The assignment should also be formal enough to be recorded by any necessary entities such as the United States Patent and Trademark Office. Legal counsel should be consulted to ensure the assignment meets the requirements of the particular circumstances.

It is important to note that a donor can assign a technology to a recipient with requirements that must be met for the assignment to be effective or remain effective. This is actually a type of license agreement, but may be utilized in a donation. If the recipient does not meet all the requirements in such an assignment, ownership of the technology will return to the donor. Even with extensive experience in donations, a technology transfer professional should seek the aid and advice of legal counsel before attempting such an assignment.

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Donation Agreements

Donations agreements can contain assignments or be used in conjunction with formal assignments to transfer a technology from the donor to a recipient. Donation agreements are common in formal circumstances, but can also be useful for more informal donations. The contents of your donation agreement will vary greatly depending on your circumstances. As with the assignment, make sure the donation agreement clearly identifies only those technologies that the donor and recipient intend to transfer. Some area of the donation agreement should clearly identify what invention disclosures, patent applications, patents, trademarks, copyrights, and/or other intellectual property are being transferred via the donation agreement. Depending on your circumstances, it may also be necessary to delineate in the donation agreement exactly which fields and/or territories are being donated.

A donation agreement template is included in Appendix A of this chapter for your reference. This template is not to be construed as legal advice and should only be used as a starting point for your own document. Language and entire sections should be altered to meet the needs of your particular donation.

Transferring Responsibility for the Donated Technology

Transferring the documentation related to the technology and responsibility for the technology can be one of the most difficult aspects of a donation. Logistically, it is best if this transfer of documents (such as patent files and/or invention disclosure files) happens immediately after the donation is finalized. This enables the recipient to promptly take over responsibility for directing patent prosecution or any other form of formal intellectual property protection.

If any outside legal counsel has been responsible for seeking formal patent, trademark, or copyright protection for the technology, the donor should consider carefully whether or not to keep the case with the existing legal counsel. Discussing the circumstances with the donor, inventors, and counsel to determine whether the any of the potential benefits or problems in Table 5 will be a factor in your decision.

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Table 5: Potential Benefits or Problems

Pros	Cons
• Opportunity to work with new counsel • Counsel is already familiar with technology, patent application, and inventors • Counsel may be familiar with the inventors	• Law firm may not be able or willing to adapt to your organization's practices or needs • Counsel may be too familiar with the inventors

Step Five: Postdonation Activities

Regardless of whether you work for the donor or recipient, your organization's involvement with the donation agreement does not end once the agreement is signed. Even if the donation agreement is fairly informal and contains few terms, it important to enter the donation agreement into your tracking and documentation systems. Monitor the terms of the donation agreement as you would a license, interinstitutional, or any other type of agreement. In simpler terms, do what you said you would in the donation agreement.

With regard to record keeping, even after you have donated a technology you should keep a copy of any invention disclosures, patent files, and other documentation related the donation. Keep the records for the longer of the life of the donation agreement or the life of any patents included in the donation plus six years. While keeping these records will require some time to compile and physical and/or electronic space to maintain, your organization may need these records in the future. Without your documentation, future technology transfer professionals in your office will be unable to adequately respond to future administrative inquiries, litigation threats, or other matters related to the donation or the donated technology.

Conclusion

To summarize the highpoints, exercise caution when entering into donation agreements. Ensure your organization is aware of the circumstances and consequences of the agreement. Be attentive to federal funding constraints. Communicate clearly with the other

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organization(s) at all stages of the donation, including after the donation is completed. Finally, expose as many technology transfer professionals in your organization as is reasonably possible to each donation.

Intellectual property donations or some other similar type of agreement will likely be necessary more frequently in the future. Forces driving this trend include a shift toward knowledge-based economies and increases in the pace of research and business. The increasingly mobile nature of researchers and their teams will also make donation agreements or some variation thereof more necessary in the future. Providing the technology transfer professionals in your organization with training and opportunities to participate in patent donations now will enable your organization and the profession to respond to this future need.

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Appendix A

Technology Donation Agreement

This agreement, effective as of ___date____ ("Effective Date"), is between ___name and address of donor____ ("Donor") and ___name and address of recipient____ ("Recipient").

RECITALS

WHEREAS Donor has developed and solely owns …*description of donated technology*… ("Donated Technology") with respect to which Donor has filed and solely owns the patents and patent applications in Attachment A ("Donated Patents").

WHEREAS Donor wishes to donate Donated Technology, Donated Patents, and technical information related to and needed to practice Donated Patents ("Donated Know-How").

WHEREAS Recipient wishes to accept the donation from Donor of the Donated Technology, Donated Patents, and Donated Know-How.

WHEREAS…*Include as many recitals as needed to include all the facts and goals that the donor and recipient wish to state within the donation agreement.*

NOW, THEREFORE, in consideration of the foregoing premises and the respective undertakings of the Donor and Recipient set forth below, the Donor and Recipient agree as follows:

Add sections and subsections or delete sections as are needed to address the terms agreed to by the donor and recipient.
Consult legal counsel and other experts.

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SECTION 1: DEFINITIONS

SECTION 2: ASSIGNMENTS

SECTION 3: CONFIDENTIALITY

SECTION 4: GOVERNING LAW

SECTION 5: INDEMNITY

SECTION 6: PRESS RELEASES

SECTION 7: MISCELLANEOUS

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