

# Basic Workbook In Intellectual Property Management

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## Preface

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The writing of this Workbook has been a special work of love for me, involving my love of teaching, my love of helping others and my love of the world. As a university professor and researcher I had no knowledge of intellectual properties or their management. I did know that there were patents and copyrights, but I thought, “What does that have to do with me? I’m just an employee at a small university, how could I invent any thing or produce something copyrightable?” Then I wrote a book for one of the classes I taught - and it was copyrighted! So I began to learn a little about intellectual property protection. In 1980 I became the Director of Research, a full time administrative position, at the university. Of the many different operations of the office was the handling of the university’s patents. Only a few licenses (2) and patents had been issued and most of them were by inventors at the industrially related research institutes. No academicians were in the institutes; only full time researchers staffed the institutes. Soon after becoming Director I learned about the Society for University Patent Administrators (SUPA) and joined it. I attended my first meeting of SUPA in 1980 where about 50 others were in attendance. At the meeting I learned about new federal legislation that was to go into effect in the very near future, the Bayh-Dole Act. This legislation was to change the “course of intellectual properties management” at U.S. universities. Now intellectual property management was becoming more interesting to me

During my second year as Director I received a publication on successful inventions. I looked through it and there was a description of a successfully licensed invention, which to my surprise was identical to a successful research project a graduate student and I had conducted several years previously. Our work had been completed before the work in the article had been started! They had patented their results, we hadn’t. We didn’t know we had an invention! No one at the university knew what we had done was an invention. We had missed an opportunity to patent. That was very disappointing. However, it gets even worse. The patented research had been licensed and in its first year on the market sold more than U.S. \$19 million worth of the patented material! Now I was really interested in knowing all about intellectual properties. I also wanted to make sure that not being able to recognize an invention did not happen to anyone else at the university.

Within a few weeks of intensive study I was much more knowledgeable and began to prepare educational materials about intellectual properties for faculty and other researchers at the university. Invention disclosure increased dramatically, especially by academic researchers. Education was the key. Providing basic information on intellectual properties to researchers was very important. .

Later I became Director of an Intellectual Properties office at a very large research university. I was asked to establish this office. I knew that the important thing to do was to educate the researchers. Several booklets concerned with intellectual properties were written, printed and distributed across the university. One of the booklets was about recognizing inventions. I also presented informal educational talks to departments and research groups on intellectual properties. Invention disclosure dramatically increased from about 7 or 8 a year to nearly 100 a year! Again, education was the key.

In the mid-1980s I was invited to the People’s Republic of China for what they called “exchange of technology”. What they really wanted was to license a technology. Soon after I began discussing the technology it was very apparent that they knew little about the handling of intellectual properties. Upon this realization several days of intellectual property basic training (educating) was done. During a second visit there with a different group the education program was repeated. In the early 1990s I was asked by

the Michigan State University's Agricultural Biotechnology Support Project (ABSP) to participate in an intellectual properties training program in Egypt. Since that time I have participated in a number of educational programs ranging from one day to one month throughout the world, assisting researchers, governmental officials and attorneys learn more about intellectual property management.

It has been gratifying to be able to help individuals, institutions and governmental agencies learn about intellectual property management. It was even more gratifying to see what some of these individuals were doing after the training to help their countries develop their own means of intellectual property management, thus setting up a means to assist in their country's development. However, I felt something was lacking. This lack was in-depth training in the types of tools used in intellectual property management. The writing of the *Basic Workbook in Intellectual Property Management* has enabled me to begin to overcome this lack or "hole" in the training in which I have participated. This opportunity has been very satisfying to me and, I hope, rewarding to all who will use this Workbook.

# Chapter 1

## Introduction

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The objective of this book is not to discuss in detail the many aspects of intellectual properties. Rather its objective is to provide the reader with basic information regarding the management of intellectual properties. It is to answer questions concerning the types of agreements used in transferring intellectual properties from one organization to another or one researcher to another researcher. It is to provide awareness as to the important sections of agreements and why these sections are important. It is to provide a base for organizations in various countries to develop “standard” intellectual property transfer agreements that are in accordance with the country’s laws as well as the organization’s policies. Because of what this book proposes to do it is different from most other intellectual property training programs that focus on making people generally aware of intellectual properties, how to protect them, and their importance scientifically as well as economically. This book assumes the reader has this basic intellectual property awareness training and the reader wants more in depth knowledge on how to really handle intellectual properties. This workbook should be especially useful to those people contemplating the establishment of a technology management office or those who have just established such an office. It is an attempt to provide a type of training one would usually get from working as an intern in a technology management office.

Each chapter is complete in itself and there is no need to refer to another chapter for additional information. Because of this there is repetition of certain terms; for example, the explanation for “Governing Law” is the same in all chapters where “Governing Law” is addressed. Those chapters that cover a particular type of agreement have a complete sample agreement that is appropriate for use in the United States. The reader is encouraged to use this agreement to build a similar agreement that complies with the laws of the reader’s country. It has been suggested that foreign intellectual property agreements be used in this Workbook but these foreign agreements may not have met the requirements of other countries either. It is the reader’s responsibility to mold an agreement or agreements that meet the requirements of laws, policies and customs of the reader’s country, perhaps the agreements used in this Workbook can provide the base for developing these country-specific agreements. It is expected that agreements for use in different countries will differ considerably from the one presented in this book. Once the reader has modified an agreement it is strongly recommended that an attorney skilled in these matters review the agreement for accuracy and completeness. Most chapters have a homework section where the reader is asked to modify the sample agreement. When possible the homework section also includes paragraphs from agreements which may or may not be acceptable. The reader is asked to determine if the paragraph is acceptable, list why it is or is not acceptable, and if not what changes would make it acceptable.

One chapter stresses the importance of having a proper intellectual property policy because not having a policy makes it very difficult, if not impossible, to manage intellectual properties. It is felt by the author that this is the most important chapter of this Workbook. How can one negotiate an agreement, any type of agreement, without knowing what the organization will and will not accept? How can one provide consistent information regarding handling of intellectual properties without having a policy? If a

technology is commercially successful how will the royalties be distributed – a policy would contain this information

Other chapters describe different aspects of intellectual property management. One describes how to develop a technology transfer conference, a conference that brings licensing and offering organizations together for the purpose of technology transfer. Another chapter provides advice on negotiating because whenever one deals with agreements it is usually to change the terms through negotiation so they meet the needs and the satisfaction of each party. And finally, there is a brief chapter that describes the various types of protection for innovations. Because each country handles its protection of intellectual properties differently the reader should determine in detail what can be protected and how to obtain the different types of protections in his/her country.

The term “intellectual properties” is used throughout the Workbook and it is assumed the reader know the meaning of this term. The author, when using this term, is referring to “ideas”. The “ideas” or thoughts one has when writing something, or composing music, or developing computer software, or breeding a new plant variety, or making a new machine, or isolating some genetic materials or inserting genetic materials into an organism. When these ideas are reduced to practice such as a written document, or new song, or a new computer program, or a new plant variety, or new machine, or a new plasmid, or a plant exhibiting a new characteristic of insect resistance, then if these reduced-to-practice ideas are new, they can be protected by government laws. Governmental protection gives the owners of these reduced-to-practice ideas certain rights called “intellectual property rights” (IPR). The main right is the exclusion of allowing anyone to use the protected property through the life of the protection term.

Another term used in this Workbook is “innovation”. Innovation refers to intellectual property that has been put into a tangible form and may or may not be protected. It is a general term which can apply to copyrightable, trademarkable, certifiable and/or patentable intellectual properties whether in the developmental stage or the prototype phase or when completed.

Another term used with intellectual properties is “technology transfer”. The word “technology” refers to intellectual properties or innovations. “Transfer” means taking technology from one person and giving it to another, or from a person and giving it to an organization, or from an organization giving it to another organization. Many believe technology transfer refers only to the licensing of protected intellectual properties, such as an invention. Technology transfer is much broader than this. It can mean the information exchanged when two people talk to each other, or it can mean the information contained in a letter or email, or it can mean a presentation given at a major scientific meeting, or it can mean a scientific journal publication, or it can mean the chemical given to a researcher by another researcher, or it could mean the licensing of some computer software to a company or it could mean licensing of a new plant variety to a seed company. Any means, by any one, in which information is exchanged is a form of technology transfer. To protect one’s intellectual property rights or future intellectual property rights it is important to be cautious in transferring intellectual properties. Promises in regard to how the technology will be used or handled or publicized must be made when transferring intellectual properties. It is best to have these promises in writing and signed by both parties involved. The written and signed promises are agreements between the parties. This Workbook provides these basic agreements for exchange or transfer of technology.

The author again wishes to emphasize that the agreements presented in this Workbook are approved for use in the United States only and should not be used as presented here in any other country. Intellectual property laws vary throughout the world and terms in an agreement acceptable in the United States may not be acceptable elsewhere. It is very important for each type of agreement to be in accordance with the

laws of the country in which the agreement is to be used. It is also important for every agreement to be reviewed and approved by an attorney knowledgeable in intellectual property matters.

# Chapter 2

## Intellectual Property Policy

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### Introduction

In order to properly manage intellectual properties an organization should have certain policies/rules in place. These policies carefully and clearly describe intellectual property management terms and will provide guidance for researchers, administrators and others on how to handle intellectual property matters.

### Objectives of Exercise

To provide the rationale for a proper intellectual property policy and to illustrate the need for such a policy within any organization interested in protecting and working with intellectual properties. To provide a basic framework of what to consider for inclusion in an intellectual property policy.

### Definition/Description

A policy serves as a high-level overall plan embracing general goals and acceptable procedures. The policy presents an organization with the conditions to guide and to determine present and future decisions. A policy for intellectual property management and technology transfer serves as a guide to all within an organization working with and/or developing new intellectual properties (innovations). Technology transfer staff know how to handle intellectual properties in regard to licensing out and licensing in, how to deal with innovators and administrators, how to handle revenues associated with intellectual properties. Innovators know who owns new intellectual properties, how they are handled, the organization's rules on accepting and transferring intellectual properties and who is in charge of legal aspects of handling intellectual properties. Administrators will know how intellectual properties are to be handled and who is responsible for their handling. Those from outside the organization know intellectual properties will be handled consistently by the organization and that the organization does have guidelines and rules under which it will enter into agreements. Organizational reviewers of research contracts will be guided so they will consistently review these contracts and will use the policy as the basis for acceptance or rejection of certain terms as well as the base for any contract negotiations.

### Discussion and Use of Policy to avoid Problems

A properly designed policy allows all to work without having to be concerned about intellectual property matters. A researcher knows who owns an innovation just developed. The researcher knows how it will be handled and if the innovation proves to be commercially important how he/she will be rewarded. The administration also knows all these things and knows that the organization will be protected both with its own innovations, with its research and with any relationships it may have with outside organizations. Potential licensees, potential research supporters, government officials and others will know the basis from which the organization operates and knows that with a policy in place there will be consistency in any intellectual property matters

A properly designed policy will assist the reviewer of agreements by providing a framework in which the reviewer operates. For example, In order to be able to properly review or establish a material transfer agreement (MTA) it is necessary for the lending or borrowing organization to have a policy in place that addresses intellectual property matters. These matters include who owns new intellectual properties developed at the organization, conditions for intellectual property ownership, a reward system if the intellectual property proves to be of commercial value, statement on who is authorized to sign legal documents (here MTAs), are publication rights reserved for researchers, conflict of interest and equity positions should a researcher want to form a company from his/her intellectual property and a mechanism to reassign intellectual properties if the organization no longer wants to retain it. The policy also serves as the base for negotiating changes in agreements. Both researchers and administrators know the basis for negotiation, acceptance or non-acceptance of a MTA or any other agreement containing intellectual property matters.

The policy should be written so all those covered by the policy can understand the meaning and extent of the policy. This means the policy should not be written in legal language that only attorneys can read, however, an attorney should be consulted in the development of the policy. The attorney should review the policy to ascertain that it complies with any and all laws covering intellectual property matters and human subjects. Each person to be covered by the policy should read the policy and then acknowledge he/she has read it and understands what is covered by the policy. Generally an organization would have the person sign an agreement that states they read and understood the policy (a copy of such a letter is included in this chapter and is titled: "Employee Intellectual Property Agreement").

The properly developed policy should be able to provide answers or guidance for any of a number of questions relating to an organization's intellectual properties. Questions such as: Who owns this innovation? Can a division of an organization manufacture and sell its own inventions? Who owns innovations made outside of the workplace? Who owns the technical manual developed for the organization? Who owns the scholarly book written while working? Who owns the best selling mystery novel written outside of the organization? Can an innovator start a company based on his/her own innovation? What is a conflict of interest situation? How can a conflict of interest be avoided? Who does an innovator see if an innovation is being improperly handled by the organization? Will an innovator share in revenues generated by an innovation? Who is an innovator? Why hasn't a material transfer agreement been approved and signed? Why is taking so long to handle a research agreement? Who is covered? Is the head of the organization covered by this policy? Is it all right to talk about an innovation with someone from another organization? Who pays the cost to protect an innovation? Plus many more questions that will be asked by all who work under, with and through the policy.

It is important to have an intellectual property policy even if it is not fully developed. One major research university in the United States (U.S.) has a very limited policy (see item 3). There are many questions on the handling of intellectual properties that are not answered in this policy, but it does clearly define ownership of inventions and royalty sharing with inventors, departments and the university. There is much work involved in handling of intellectual property matters under this policy because any item not covered in the abbreviated policy has to be handled individually. Upper level administrators, attorneys and others are involved in each situation resulting in inappropriate use of administrators' time, expenditure of university funds for attorneys and in some cases different decisions in handling of the same matter (inconsistent handling of the same type of situation). A properly defined and developed policy would overcome these problems, but this university has decided to continue to use this policy since it has worked for them thus far.

The next three items in this chapter are an early draft of an intellectual property policy, an employee intellectual property agreement that is associated with the draft policy and an abbreviated, incomplete intellectual property (patent) policy being used by a major U. S. university. The draft agreement was originally developed for a university situation and was compiled from policies of several different universities. Mr. Brian Smiler, a law student at Michigan State University, under the direction of Dr. Frederic Erbisch, drafted this document. Prior to drafting this agreement Mr. Smiler reviewed intellectual property agreements from more than 50 U.S. universities. Taking the best language from these agreements along with the policy outline furnished by Dr. Erbisch a draft of an intellectual property agreement was set forth. Materials from the following universities were used to create this draft agreement: Columbia University, Indiana University, Iowa State University, Massachusetts Institute of Technology, Michigan State University, Ohio State University, University of California, University of Pennsylvania and Wayne State University. Erbisch has modified the original document for inclusion in this chapter.

The employee intellectual property agreement (EIPA) is to be used in conjunction with the policy. Any organization using this draft policy would ask all those covered by the policy to read it and then read the EIPA. After reviewing these documents the individual would be asked to sign the EIPA to show that he/she understands the policy and will abide by the policy.

The abbreviated policy is provided to illustrate the difference between a fairly well drafted intellectual policy agreement and a “minimal” intellectual policy agreement. This abbreviated agreement “works” and is much better than no policy at all, but an expanded policy would be much better and is recommended for all organizations.

## Details/Specifics

Developing a good intellectual policy is very difficult and it will take time to “build” it properly. In addition it must be reviewed and approved by all who will be using it. It should also be reviewed by appropriate legal council to ascertain that the policy does not violate any country laws or human rights.

When developing a policy a number of items need to be considered for inclusion within an intellectual property policy. There are six (6) major categories to consider. These include:

1. Who will be covered by the policy?
2. What will be covered by the policy (and what will NOT be covered)?
3. Who will use the policy?
4. How will innovations be handled under the policy?
5. Who administers the policy (who allows exceptions)?
6. What happens if the policy is not followed?

Under each of these major categories are other important considerations. For example, when considering who will be covered all those working at an organization must be considered. This would include administrators, scientists, instructors, laboratory technicians, students, office workers, and secretaries and other clerical staff. Any of these groups should be included in the policy if there is even the slightest chance of their innovating. Others to consider are temporary workers and visitors. Should vendors be included? Salespeople? Each organization will need to consider what opportunity any group

might have in making major innovative contributions to an organization. Essential when one begins to develop a policy a number of questions under each major category will need to be addressed. For example under “Who will be covered by the policy?” some of the questions will be:

1. Should researchers/scientists be covered?
2. Should department chairs, deans, directors, vice presidents, vice chancellors, and presidents be covered?
3. If this is an educational organization should undergraduate students be covered?
4. Should graduate students be covered?
5. Should technicians be covered?
6. Should secretaries be covered?
7. Should visitors to a laboratory, visitors that stay for only a short time (less than a day), be covered?
8. Should visitors to a laboratory, visitors who work for an extended period, be covered?
9. Should any others (name them) be covered?

The second major category “What will be covered by the policy (and what will NOT be covered)?” needs to be considered next. Questions under this category include:

1. Should inventions be covered?
2. Should copyrightable works be covered?
3. Should all copyrightable works be covered?
4. Should some copyrightable works be excluded? Which ones and why?
5. Should new varieties of plants be included?
6. Should trademarks and trademarkable materials be covered?
7. Should trade secret materials be covered?
8. Under what conditions will any of these be covered?
9. Use of organization’s funds?
10. Use of organization’s facilities?
11. Use of government funds administered by organization?
12. Only during an 8-hour work period?
13. Anytime and/or anywhere?
14. Who can use organization’s name?
15. Who owns research data?
16. What might exceptions be for any of the above?
17. Who would make decisions regarding “exceptions” or “variations”?

The third category “Who will use the policy?” refers not to just those covered under the policy, but those individuals who will need the policy to guide them in their work efforts. Some of the questions under this category include:

1. Scientist/researchers?

2. Administrators?
3. Technical people?
4. Secretaries?
5. Anyone needing to accept agreements containing intellectual property terms?
6. Anyone negotiating agreements containing intellectual property terms?
7. Technology Management Office staff?
8. Attorneys working for and with the organization?
9. Officials elected to city, state and country offices?
10. Officials appointed to city, state and country offices?
11. Research sponsors?
12. Potential technology licensees?
13. Industrial representatives?
14. General public?
15. Visitors?
16. Sales people?

The fourth category “How will innovations be handled under the policy” addresses the need to describe what will happen when an innovation is made. Again a number of questions need to be addressed. Some of these questions could include the following:

**A Who owns innovations?**

- i. Inventions?
- ii. Copyrightable works?
- iii. Trademarkable works?
- iv. New plant varieties?

**B To who are innovations disclosed?**

**C How are innovations handled?**

**a. Inventions**

- i. Evaluated
- ii. Marketability surveyed
- iii. Patentability evaluated
- iv. Covering patent costs
- v. Licensees sought
- vi. License preparation
- vii. License negotiation
- viii. Policing licensee

**b. Copyrightable works**

- i. Evaluated
- ii. Marketability surveyed
- iii. Registration prepared
- iv. Covering registration costs
- v. Licensees sought
- vi. License preparation
- vii. License negotiation

viii. Police licensee

c. ***Trademarkable works and Trade Secret innovations***

4. **Under what circumstances are innovations returned?**

a. ***Inventions***

- i. Not patentable
- ii. Not marketable
- iii. Not licensable
- iv. Other

b. ***Copyrightable works***

- i. Not marketable
- ii. Not licensable
- iii. Not organizations
- iv. Other

c. ***Trademarkable works and Trade Secret innovations***

5. **Who or what is in charge of innovation licensing?**

6. **Who or what is charge of license negotiations?**

7. **Who has the final acceptance or rejection of a negotiated license agreement?**

8. **How are royalties distributed?**

- a. Innovators
- b. Innovator's department or institute
- c. Organization
- d. Others

9. **Who or what distributes royalties?**

10. **How is secrecy or confidentiality maintained?**

11. **What types of agreements are to be used to maintain secrecy or confidentiality?**

- a. Confidential Disclosure Agreements
- b. Materials Transfer Agreements
- c. Cooperative Agreements
- d. Research Agreements

12. **Who or what is responsible for negotiating these agreements?**

13. **Who has the final acceptance or rejection of negotiated agreements?**

14. **Will a Technology Management Office be established to handle innovations?**

15. **How will the Technology Management Office be staffed?**

- a. Director
- b. Licensing Associates
- c. Support staff
- d. Secretary

16. **What will be the responsibilities of each Technology Management Office staff member?**

- a. Director
- b. Licensing Associates

- c. Support staff
- d. Secretary

**17. To whom will the Technology Management Office answer?**

The fifth category “Who administers the policy (who allows exceptions?)” does again require a number of considerations, and these considerations would be concerned with each potential chief policy administrator. The major considerations would they be the one to supervise this position? And how would this relate to the individual's present position's duties? Listed here are some positions to consider for policy administrator:

- 1. President/Vice Chancellor of organization**
- 2. Vice President**
  - a. Academics
  - b. Business
  - c. Research
- 3. Dean/Director**
- 4. Director of the Research Office**
- 5. Organization head attorney**
- 6. Departmental chair**
- 7. Technology Management Office Director**
- 8. Other items to consider here include:**
  - a. Who will act as the authority for signing intellectual property documents?
  - b. How often should the policy be reviewed for updating, clarification, etc.?
  - c. How much effort will it take to deal with and handle exceptions?

The last major category “What happens if the policy is not followed?” will take considerable and careful deliberation. Here are some of the questions that might be considered in this review:

- 1. What is a “major” non-following of the policy?**
- 2. What types of penalties could be enacted?**
  - a. Suspension
  - b. Firing
  - c. With holding a portion of salary
  - d. Charging with criminal intent
  - e. Verbal reprimand with no other action
- 3. What if the offense is repeated?**
- 4. What if an individual to be hired by the organization will not sign off on the policy (accept the policy as part of his/her work requirements)?**
- 5. Who would be able to make an exception to accepting the policy?**

Depending on the organization there may be more considerations to be reviewed for the policy. A few such questions are listed below:

1. **What is the maximum period for a confidentially arrangement? 1 year? 2 years? 3 years? 5 years?**
2. **Should publication rights be reserved for researchers/scientists when working on a non-university sponsored project?**
3. **Should a “Conflict of Interest” policy be put into place?**
  - a. As a guide for consulting away from the organization
  - b. As a guide for one when forming a business with an organization’s innovation
  - c. Potential endorsement of products
  - d. *De Minimis* stock holdings by an organization staff member
  - e. Organization staff member receiving money directly for services
  - f. As general guidance for all employees
4. **Should the organization or a department/institute of the organization be allowed to manufacture and market one of its own innovations?**
5. **How would in-house sale revenue be handled?**
6. **Should the organization accept an equity position in a company when licensing to the company?**
7. **How is equity shared with the innovator?**
8. **How will the organization interact with other organizations in regard to intellectual property?**
  - a. Joint ownership
  - b. Employee considerations when working in another organization's laboratory in a joint project
9. **How can the organization be sure the employee or potential new employee has read and understands the intellectual property policy?**

After asking all the listed questions and the others needed by an organization are answered one could begin the drafting of the intellectual property agreement. The first draft could be by an individual or by a committee. When the first draft is completed legal counsel should review the draft to be sure that all legal obligations are met and that the policy doesn’t overstep any legal boundaries. Then the policy should be reviewed by upper level administrators and by a committee made up of researchers/scientists, technicians and others who will be under the agreement. Rewrite the agreement and recirculate it for all parties to review. After all groups have approved the final draft implement the policy making it effective immediately. The total time involved in this process may be over a year, perhaps two years. However, the effort to develop a sound intellectual property policy will more than pay back the organization through a potential to raise funds through commercialization of innovations, by providing all who work for the organization a clear understanding of each parties role in intellectual property management as well as present the organization to the industrial world as business partner.

## Item 1. DRAFT Intellectual Property Policy

(The following document was drafted to provide an example of the content of a well developed intellectual property policy)

### I. Preamble

ABC Research Institute, a pioneer research institution, respected globally for its accomplishments in research and teaching, “is committed to intellectual leadership and excellence in both developing new knowledge and conveying that knowledge to its students and to the public.” “ABC Research Institute strives to discover practical uses for theoretical knowledge and to speed the diffusion of information to residents of the state, the nation and the world.” “In fostering both research and its application, the Institute will continue to be a catalyst for positive intellectual, social and technological change.”

In cooperation with the Institute’s mission, the President and the Board of Directors of ABC Research Institute designate the Vice President for Research as the individual responsible for the oversight of this Policy and has established the Technology Management Office, hereinafter referred to as (“TMO”), for interacting with Innovators and the handling of Intellectual Property.

It is the TMO’s mission to cultivate and carry today’s research forward to provide the world with useful technology for tomorrow. To meet the objectives of this mission, the TMO is charged with educating researchers, scientists, staff, students and others on proper procedures and mechanisms for patenting, copyright and trademark registration, licensing, locating innovations within the Institute and evaluating those Innovations for protectability and marketability and arranging them to benefit the global community through licensing and other commercial development programs.

This policy has thus been designed and implemented for the following purposes:

1. To facilitate and enhance the transfer of Institute Innovations derived from research and the dissemination of knowledge for the global community.
2. To protect the equitable rights of the Institute, its Innovators, research sponsors and the public.
3. To stimulate additional support for research by industry partners resulting in the innovation of novel technologies and creative works for commercialization.
4. To derive additional revenue for the support of Institute research and educational initiatives, as well as a personal incentive for Innovators to create and disclose.
5. To provide a resource for the Institute community with respect to Intellectual Property.
6. To limit the infringement, improper exploitation and abuse of Institute technologies and creative works.
7. To promote the economic development of local as well as the national and global community, by supporting the formation of new companies using Institute technologies and creative works.

### II. Governing Laws and Regulations

This policy shall be interpreted in a manner consistent with all applicable federal and local statutes/laws and implementing regulations which include federal law pertaining to ownership of data, conflict of interest

policies and those regulating the use of human and animal subjects, as well as laws pertaining to conflict of interest, equity and freedom of information requests.

### **III. Policy History**

This revised Intellectual Property Policy supersedes the Institute policy on patents approved by the Board of Directors on \_\_\_\_\_ and revised on \_\_\_\_\_. It shall be adopted and become effective on its date of approval by the Board of Directors.

### **IV. Implementation**

This Policy may be implemented or supplemented in any way that remains consistent with its terms and those of other Institute policies. The President shall have the authority to make changes to any part of this Policy from time to time, including the percentage of net royalties paid to Innovators. In the event exceptional circumstances require any exception to the terms of this Policy, such exceptions shall require the written consent of the Vice President of Research, the Innovator(s), and the appropriate Institute administrators. The Vice President for Research shall, when practical, seek the advice of the Institute Research Council prior to approving any exception to the terms of this Policy. When prior consultation is impractical, the Vice President for Research shall promptly notify the Council of any exception to the terms of this Policy.

This Policy shall not apply to existing written agreements between the Institute and/or Innovator(s) with any external organization or individual concerning the development, legal protection or commercialization of specific Intellectual Properties entered into prior to the date on which the Board of Directors adopts this Policy. If an existing written agreement is renewed, revised or amended after the date on which the Board of Directors adopts this Policy, reasonable attempts shall be made to conform such agreement with the requirements of this Policy as of the date on which it is renewed, revised or amended.

### **V. Notification**

The Institute shall inform all persons subject to this Policy of its terms as soon as efficiently possible after its adoption by the Board of Directors and at regular intervals thereafter.

### **VI. Institute's Responsibilities**

When the Institute chooses to exercise its rights to an item of Intellectual Property, it shall make appropriate efforts to legally protect the item and with the assistance of the Innovator, will search out and initiate negotiations with perspective licensees.

If the Institute does not choose to exercise its rights in an item of Intellectual Property through pursuit of legal protection and commercial development, or to otherwise transfer its rights to another party, or to dedicate its rights to the public, or if the Institute chooses to protect an item, but does not arrange for its commercial development or dedication to the public within a reasonable period of time, the Innovator may make a written request to the Director of the TMO for transfer or waiver of the Institute's rights to themselves, and the Director will either recommend to the Vice President for Research that the request be granted, subject to any condition deemed appropriate, or advise the Innovator(s) of the Institute's plan for the item. Such transfers and waivers shall be subject to the Institute's retention of a non-transferable royalty-free license, as well as other reasonable conditions (such as recovery of legal costs), but the Innovator(s) shall have the right to appeal any conditions, as well as any other aspect of the request to the Vice President for Research.

The Institute shall treat disclosures of items subject to this Policy as confidential and shall make reasonable efforts to avoid loss of rights due to lack of appropriate documentation, improper or premature disclosure, or publication without copyright notice.

**A. Generally.**

1. To ensure the cost-effective transfer of Intellectual Property.
2. To maximize the value of Institute Intellectual Property
3. To provide an effective mechanism for transfer of Intellectual Property.

**B. Vice President for Research**

1. To provide oversight of Intellectual Property management and transfer, and to ensure adherence to this and other Institute policies.
2. To assist the units of the Institute in establishing and maintaining effective Intellectual Property transfer mechanisms and procedures consistent with this and other Institute policies.
3. To take swift and appropriate action in protection of Institute Intellectual Property.

**C. Institute Unit or Department**

1. To promote Intellectual Property transfer in a manner consistent with the College's and/or School's objectives and academic environment.
2. To comply with this Policy and strive to avoid conflicts of interest.

**D. Technology Management Office Administration**

1. To promote Intellectual Property transfer through the identification, protection, licensing, marketing and management of Institute Intellectual Property.
2. To establish and maintain Intellectual Property policy in cooperation with this and other Institute policies while working to avoid conflicts of interests within the Institute.
3. To review and draft all agreements pertaining to Institute Intellectual Property including licenses, material transfer agreements, confidential disclosure agreements, etc.
4. To carry out the effective disposition of all applicable and valuable Intellectual Property within the Institute.
5. To communicate with all Institute Innovators about their rights and responsibilities pertaining to Intellectual Property and the disclosure and handling thereof.
6. To inform all persons subject to this Policy of its terms at regular intervals as part of their educational efforts in regard to Intellectual Properties at the Institute.
7. To provide guidance in the setting up of new companies by Institute Innovators using Institute Innovations and ensuring compliance with this and other Institute policies.

**E. Director of the Technology Management Office**

1. To develop standards and procedures for the implementation of this Policy for submission to the Vice President for Research.
2. To conduct day-to-day operations relating to matters subject to this Policy and to the Technology Management Office.

3. To provide advice and assistance to Innovators with respect to consulting, confidential disclosure agreements, material transfer agreements and such agreements with industrial and other organizations that may involve rights to items within the scope of this Policy, as well as to appropriate Institute officials who have responsibilities with respect to approval of consulting arrangements.
4. To maintain a file for each disclosure of an item of Intellectual Property subject to this Policy which will contain complete records for all actions.
5. To determine whether the Institute has rights to an item subject to this Policy, and if so, the basis and extent of such rights.
6. Where there are two or more persons under the scope of this Policy claiming to be the Innovator of an item of Intellectual Property that is also subject to this Policy, encourage and facilitate an early agreement (in a form acceptable to the Institute) among them concerning which the claimants shall be considered Innovators for the purposes of this Policy and in what fraction they shall share in the benefits of this Policy.
7. In the absence of an agreement referred to in item six (6) above, recommend to the Vice President for Research for final determination on behalf of the Institute which of the competing claimants shall be considered Innovators for the purpose of this Policy and in what fraction they shall share in the benefits of this Policy.
8. To determine whether Intellectual Property to which the Institute has rights is legally protectable.
9. For items subject to this Policy, recommend to the Vice President whether:
  - i. The Institute should patent, copyright or otherwise legally protect, or license the item; or
  - ii. The Institute should dedicate its rights to the public with the Innovator's wishes taken into account where feasible; or
  - iii. The Institute should transfer or waive its rights in favor of permitting the Innovator(s) to protect and develop the item at his or her own expense, and whether conditions should be attached to a transfer or waiver.

The Director shall make a recommendation with regard to the above within ninety (90) days of the receipt of all the required information and advise the Innovator(s) in writing of the decision of the Vice President for Research. The Director may consult with faculty, staff, students or others with respect to carrying out these responsibilities.
10. To obtain legal protection and arrange for licensing or other commercial development in those cases in which the Institute elects to pursue its rights, including preparing and prosecuting applications for patent, copyright and trademark registration, plant variety protection and other legal protection, or retaining counsel or other assistance for that purpose, negotiation or assisting in negotiation of licenses and related agreements and monitoring the collection of royalties or other related income.
11. To prepare or assist in the preparation of all required reports on Innovations subject to this Policy.
12. To provide assistance to officers of the Institute and to other related organizations at the direction of the Vice President for Research.

13. To consult with the Institute Intellectual Property Policy Committee at least twice per year, or whenever deemed necessary by the Committee or the Vice President for Research on matters concerning this Policy, its implementation or administration.
14. To prepare an annual report for the Vice President for Research, the President and other officers or committees as designated by the Vice President for Research.
15. To ensure compliance with the requirements of this and other Institute policies regarding the Innovator(s) acceptance of outside funding and their obligations thereunder.

## **VII. Innovator's Responsibilities**

1. To agree to and sign the Institute Intellectual Property Agreement. (Please see Appendix A, attached)
2. To make timely disclosures and assignments of all applicable Intellectual Properties under this Policy to the Institute.
3. To disclose all applicable Intellectual Property on the appropriate TMO form.
4. To cooperate fully with the TMO in marketing, licensing, patenting, registration, litigation and other areas in protection and transfer of Institute Intellectual Property.
5. To take all reasonable steps requested by the TMO Director, including the execution of assignments and other requests necessary for evaluation of the item and the protection of patent or other Intellectual Property rights.
6. To adhere to all applicable Federal, Institute and TMO conflict of interest policies in all consulting and business activities, as well as all other applicable actions.
7. To report any Intellectual Property developed outside the scope of this Policy, the Innovator shall not file or permit others to file in their names patent applications, registrations or any other means of protection of Intellectual Property rights without providing at least sixty (60) days notice and a statement of the circumstances surrounding the Innovation to the TMO Director.
8. To provide if requested by the TMO Director additional information as to the nature and circumstances under which the item was developed and a copy of the invention disclosure, proposed patent application, or any other materials which the Director may deem appropriate.
9. To provide information regarding any engagement in consulting or in a business related to their affiliation with the Institute, the Innovator shall be responsible for ensuring that any related agreements with entities external to the Institute are not in conflict with this Policy or other commitments involving the Institute.
10. To make their obligations to the Institute clear to those with whom they make agreements and the Innovator shall provide other parties to the agreement with a current statement of this Policy.

## **VIII. Administration**

Any questions relating to the implementation and applicability of this Policy shall be directed to the TMO Director, 555 Administration Building, ABC Research Institute, Somewhere, Country, (555) 555-5555.

## **IX. Definitions**

**ASSIGNMENT:** The execution of a written agreement by the Innovator, assigning all of the Innovator's right, title and interest in and to an Innovation to the Institute. Innovations are assignable as of the time they are conceived or reduced to practice.

**COPYRIGHT:** Written materials, directions, computer programs and similar types of informational material that are new and unique. Protection ensures the Innovator's or Institute's right, established at the point of innovation, to prevent unauthorized copying of an original work of authorship fixed in a tangible medium of expression, as well as the right to prevent some limited types or uses of those works (public performances).

**COPYRIGHTABLE SUBJECT MATTER:** Copyright protection subsists in original works of authorship fixed in a tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, spanning a broad range of literary and artistic expression, including books, musical works (including any accompanying words), dramatic works (including any accompanying music), pantomimes and choreographic works, pictorial, graphic and sculptural works, motion pictures and other audiovisual works, computer programs and/or source codes, sound recordings and architectural works.

**INNOVATION:** A new and original form or item of Intellectual Property.

**INNOVATOR:** Scientists, Researchers, faculty, staff (researchers and non-researchers), undergraduate and graduate students, candidates for masters and doctoral degrees, postdoctoral and predoctoral fellows, including those and any other persons employed by the Institute, whether full or part-time, emeritus faculty while at the Institute, visiting faculty and researchers, adjunct faculty and professors, company representatives, administrators and any other persons who create or discover applicable intellectual property using Institute resources or who receives funds or other rewards for their services (work-for-hire), work done through research whether or not federally funded, or those who voluntarily assign their Intellectual Property to the Institute.

**INTELLECTUAL PROPERTY:** Any new and useful process, machine, composition of matter, life form, article of manufacturer, software, copyrighted work, or tangible property including new or improved devices, circuits, chemical compounds, drugs, genetically engineered biological organisms, data sets, software, musical processes, or unique and innovative uses of existing Inventions that may or may not be patentable or copyrightable. It is created when something new and useful has been conceived or developed, or when unusual, unexpected, or non-obvious results, obtained with an existing Invention, can be practiced for some useful purpose. It can be created by one or more individuals each of whom to be an Innovator must have conceived of an essential element or have contributed substantially to its conceptual development.

**INVENTION:** Technical information, trade secrets, developments, discoveries, know-how, methods, techniques, formulas, data, processes, machines, manufactures, compositions of matter and other proprietary ideas or matter, or any improvement thereof, proving to be novel, useful, nonobvious and enabling.

**INVENTION DISCLOSURE:** The written submission to TMO, on standard invention disclosure forms available from TMO, of a written description of any Invention that an Innovator believes he/she has made.

**EQUITY:** Shares of stock or securities, including but not limited to stock options, warrants or any other rights to purchase stock or securities.

*NET ROYALTIES:* Gross royalties less any and all legal costs incurred by the Institute.

*REASSIGNMENT:* The execution of a written agreement by the Institute assigning all of the Institute's right, title and interest in and to a Innovation back to the Innovator(s) who had originally assigned their right, title and interest in and to the Innovation to the Institute, or to whomever the Institute shall designate in writing.

*SCHOLARLY WORKS:* Works developed by Innovators as teaching materials, created by students in the course of Institute-sanctioned learning, work that has a purpose of disseminating information resulting from research or studies such as books, articles, manuscripts, dissertations, theses and reports, and fine artwork that is not an institutional work.

*SIGNIFICANT USE:* Innovations, not including Scholarly Works, made by Institute Innovators using significant Institute funds or facilities within his or her assigned area of research.

*TRADEMARK:* Any word, phrase, logo, name, symbol, or device, or any combination thereof, used by a person or which a person has a bona fide intention to use in commerce and applies to register, to identify and distinguish Institute goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

*INSTITUTE EMPLOYEE:* Researcher, faculty, staff and student Innovators of ABC Research Institute.

*WORK-FOR-HIRE:* A work prepared by an Institute Employee within the scope of his or her employment who receives funds or other rewards for their services.

## **X. Statement of General Policy**

### *A. Assignment of Intellectual Property Rights*

An agreement to assign Intellectual Properties to the Institute, except those resulting from permissible consulting activities without the use of Institute facilities or are so excluded in this Policy is provided by the Institute Intellectual Property Agreement. It shall be mandatory for all Institute Innovators to sign and fully abide by the terms of this Agreement. The Agreement shall appear in triplicate and one copy shall be presented to the following persons: (a) Institute Human Resources Department; (b) the Innovator(s)'s work unit(s); and (c) the Innovator(s). Exemptions from this Agreement to assign may be authorized by the Vice President for Research in those circumstances when the mission of the Institute is better served by such action, provided that overriding obligations to other parties are met and such exemptions are not inconsistent with other Institute policies.

Those individuals who have so agreed to assign Intellectual Properties shall promptly report and fully disclose the conception and/or reduction to practice of Innovations including potentially patentable Inventions and creative works to the TMO on the appropriate TMO form. The TMO shall execute such declarations, assignments, or other documents as may be necessary in the course of evaluation or protection of Intellectual Property rights, to assure that title in such Intellectual Properties shall be held by the Institute or by such other parties designated by the Institute as may be appropriate under the circumstances. Such circumstances would include, but not be limited to, those situations when there are overriding Intellectual Property obligations of the Institute arising from gifts, grants, contracts, or other agreements with outside organizations. The TMO shall have the express authority to take whatever steps in deems necessary in the handling, protection and marketing of all items of Intellectual Property assigned to the Institute.

*B. Reassignment of Intellectual Property Rights*

In the absence of overriding obligations to outside sponsors of research, the Institute may release Intellectual Property rights to the Innovator in those circumstances when: (1) the Institute elects not to pursue protection and/or licensing and the Innovator is prepared to do so; or (2) the equity of the situation clearly indicates such release should be given, provided in either case that no further research or development to develop that Intellectual Property will be conducted involving Institute support or facilities, and provided further that a right to use such an innovation is granted to the Institute.

*C. Handling of Royalties in Result of Licensing Intellectual Property*

Distribution of the Innovator's share of royalties shall be made by the TMO annually under the terms of this Policy. In the event of any litigation, actual or imminent, or any other action to protect Intellectual Property rights, the Institute may withhold distribution and impound royalties until resolution of the matter.

Equity received by the Institute in licensing transactions, whether in the form of stock or any other instrument conveying ownership interest in a corporation, shall be distributed in accordance with this Policy on accepting equity when licensing Institute Intellectual Property. (See section XIV)

When there are two or more Innovators, each shall share equally in the total amount of Net Royalties allocated by this Policy, unless all Innovators previously have agreed in writing to a different distribution of such share.

**XI. Scope of Policy**

*A. Applicable Persons and Units of the Institute*

This Policy is applicable to all units of the Institute and to all of the Institute's administrators, scientists, researchers, faculty, staff (i.e., employees who are not regular faculty members) and students. It shall apply to all Innovators including: administrators, scientists, researchers, faculty, staff (researchers and non-researchers), undergraduate and graduate students, candidates for masters and doctoral degrees, postdoctoral and predoctoral fellows, including those and any other persons employed by the Institute, whether full or part-time, emeritus staff while at the Institute, visiting researchers, adjunct faculty and professors, company representatives and any other persons who create or discover applicable intellectual property using Institute resources or who receives funds or other rewards for their services (Work-for-Hire), work done through research federally funded, or those who voluntarily assign their Intellectual Property to the Institute.

*B. Effect on Other Contracts*

Applicable law and the terms of sponsored program agreements and other contractual arrangements undertaken by the Institute or one of its units in good faith will govern where they differ from the provisions of this Policy.

**XII. Institute's Ownership of Intellectual Property**

*A. Institute Holds All Right and Title*

The Institute shall have sole ownership of all Intellectual Property including, but not limited to

any disclosed invention, discovery, trade secret, technology, scientific or technical development, license, computer software, institutional works, plant variety, data, research records, laboratory notebooks, etc., regardless of whether subject to protection under patent, trademark, copyright, or other laws.

*B. The Institute shall have sole ownership of any discovery or invention that results from research carried on by, or under direction of, any Institute Employee:*

1. having the cost thereof paid from Institute funds or from funds under the control of, or administered by the Institute; or which comes as a direct result of the employee's duties with the Institute; or
2. which has been developed in whole or in part by the utilization of Institute resources or facilities, shall belong to the Institute and shall be used and controlled in such a manner as to produce the greatest benefit to the Institute and the public.
3. All innovations made with industrial, state or federal government, or any other outside funding or support shall belong to the Institute so long as any of the above three conditions are evident.
4. When an Innovator(s) using Institute resources develops any type of unpatentable tangible research property, the Institute will own all rights to such property, including copyright (subject to agreement with the appropriate funding sources).

*C. Innovator Retains Right and Title*

An innovator shall not assign to the Institute any innovation for which:

1. no equipment, supplies, facility or trade secret information of the Institute was used; or
2. was developed entirely on the Institute Employee's own time and does not relate directly to the business of the Institute, to the Institute's actual or demonstrably anticipated research or development; and
3. does not result from any work performed by the Institute Employee for the Institute.

*D. Scholarly Works*

The Institute will not assert an interest in authorized Scholarly Works including work developed by researcher or instructors as teaching materials, work created by students in the course of Institute-sanctioned learning, work that has a purpose of disseminating information resulting from research or studies such as books, articles, manuscripts, dissertations, theses and reports, fine artwork that is not an institutional work, musical compositions and dramatic and non-dramatic literary works related to the faculty member's professional field, regardless of the medium of expression, unless such work is commissioned by the Institute or a component institution of the Institute, or is a Work-for-Hire.

Copyright ownership in Scholarly Works resides with the Innovator(s) unless the work is governed by an agreement, utilizes significant Institute resources in its development, or uses the Institute's name in the promotion of the work.

*E. Ownership of Educational Materials*

The Institute with the following exception shall hold the legal title to all Institute-sponsored

Educational Materials. Materials produced under grants from the federal government or other agencies shall be subject to conditions of the contract or grant with respect to ownership, distribution, use and other residual rights.

The Institute may at its discretion assign, transfer, lease or sell all or part of its legal rights in Educational Materials. Where feasible, formal statutory copyright shall be obtained for such Educational Materials in the name of the Institute.

*G. Revision*

Revision of Institute-sponsored materials, which does not require substantial Institute resources, may be made at any time by the Institute member involved. Such revision may not be made in any case without the consent of the individual(s) primarily responsible for the original innovation of those materials.

Requests to revise Institute-sponsored materials in cases that require substantial Institute resources may be initiated by the Institute or by the Institute member directly concerned. The term Institute shall here be used to mean:

1. The instructional unit employing the Institute member and/or earning the student credit hours for offering the course;
2. The Institute unit primarily responsible for the production and distribution of the course, specifically in the case of television, broadcasting services or in film production.

**XIII. Revenue from Intellectual Property**

*A. Royalty Schedule*

The schedule for distribution of Net Royalties shall be designed to provide personal incentives to Innovators. Net Royalties from licensed Innovation(s) shall be distributed according to the following schedule:

<b>Net Royalty Income on a Particular Innovation</b>	<b>Inventor(s)</b>	<b>Institute</b>	<b>Institute Units</b>
First U.S.\$5,000	100%	0	0
All royalties thereafter	33 1/3%	33 1/3%	33 1/3%

Distribution is based on the calendar year and will be made annually. Allocations are calculated from the proceeds resulting from one (1) profitable Innovation. If more than one (1) profitable Innovation is developed, allocation of revenue will be calculated for each of them individually. When there is more than one Innovator, the Innovator(s)' share will be divided in the manner agreed by them. The Innovator's personal share shall survive termination of affiliation with the Institute and in the event of death of the Innovator shall inure to his or her estate.

*B. Net Royalties*

Awards, prizes, honoraria and the like received by Institute Innovators primarily as recognition for achievement shall not be considered royalty income subject to this Policy, even if the transfer of rights in a Innovation is a condition of the award. Any such transfer of

rights of an Innovation is subject to the other provisions of this Policy.

Authorized expenses in the determination of Net Royalties shall include expenditures for preparing and prosecuting applications for patent, plant variety protection, semiconductor mask-work protection, and the like, including searches, official filings, registration, recording, issue and maintenance fees, legal services and other extraordinary expenses in connection with licensing, collection of income and litigation. Additional expenses may be charged against Net Royalties for proof-of-concept funding, Intellectual Property marketing, market research and business plan development upon prior written agreement with the Innovator and/or appropriate academic unit.

Ordinary administrative expenses will not be charged to Net Royalties, but where services that would normally incur chargeable expenses are provided internally, an appropriate charge may be levied as an expense against relative Net Royalties to avoid discriminatory results.

#### *C Distribution and Reimbursement*

Revenues received in the form of cash royalties and/or equity holdings (see Section XIV) as a result of licensing Institute Intellectual Property, as well as other agreements, shall be distributed in such a manner as to encourage technology development within and technology transfer from the Institute. Where any amount allocated to an individual cannot be distributed within five (5) years because of inability to locate such individual or heirs, such amount shall be reallocated accordingly.

Where there is a reasonable basis for believing that amounts subject to allocation and distribution under this Policy may be required to be refunded or otherwise expended, or that others may have claim to such amounts, allocation and distribution may be delayed for a reasonable period required for resolution of the matter. No person shall have a right to receive payment or other benefit under this Policy before he/she has notified the Director of the TMO in writing of his or her basis for a claim. Upon good faith determination by the Vice President for Research that an individual has not contributed significantly to the Innovation of the item in question and has no other valid basis for a claim, that person shall not be eligible for payment or other benefit under this Policy with respect to such item. Payments made in good faith to one or more claimants shall fully satisfy any obligation on the part of the Institute to all claimants for the amounts so paid.

Revenues received for research support shall not be distributed under the royalty schedule. (See part B of this section XIII) Costs incurred by the Institute for patenting, registering, licensing and maintenance for each unit of Intellectual Property shall be reimbursed from its royalty earnings and gross revenues. If the Institute or any other outside entity brings an infringement action, all shares of revenue, including the Innovator's, shall contribute to the reimbursement of Institute costs for all types of actions. The manner and amount of such reimbursement will be determined by consultation between the TMO Director and the Vice President for Research so as to maintain fairness and adequate incentives in the distribution of revenue.

### **XIV. Policy on Accepting Equity when Licensing Institute Intellectual Property**

Innovations disclosed by Institute Innovators are offered to potential licensees, often during the early stages of developmental research. These Innovations typically require a considerable amount of

additional research to prove the value of the Innovation or to support effective Intellectual Property protection, if appropriate. Therefore, the Institute seeks licensees able to demonstrate that they currently are adequately financed or that adequate financing will be available, and that they are willing to focus such resources on the developmental research necessary to advance the Innovation to a marketable condition. Further, such licensees must be able to meet regulatory requirements for introduction of the Innovation into the marketplace and to satisfy adequately the market demand for the Innovation. When the company selected to develop, market and deliver the Innovation to the marketplace is not reasonably able to provide adequate compensation for licensing in cash, the Institute may choose to accept equity in that company, in partial lieu of cash, to facilitate the practical application of a Institute Innovation for the benefit of the general public.

Accordingly, the Institute may accept equity in a company as partial consideration for Intellectual Property licensing transactions in appropriate circumstances pursuant to the following provisions of this Policy. Under appropriate circumstances, research sponsored by companies in which an Innovator and/or the Institute have equity holdings may also be permitted. The Vice President for Research will establish a three Person Institute Equity Review Team to review each potential equity acquisition. It is expected that the Review Team will consider a number of different items, including the business plan(s) of the proposed equity acquisition.

Institute acceptance of equity in consideration of licensing an Institute Innovation shall be based upon the principals of openness, objectivity and fairness in decision-making and preeminence of the education, research, and public service missions of the Institute over financial or individual personal gain. Such licensing activity shall be conducted in accordance with this and other related Institute policies and guidelines.

1. The Institute shall neither seek nor accept representation on the board of directors of a licensee in which it holds equity, nor exercise any voting rights on board actions, regardless of the level of its equity interest.
2. The Institute shall handle all subsequent relationships with a licensee in whom the Institute has accepted equity in a business-like manner pursuant to relevant Institute policies and guidelines.
3. The terms of an Innovation licensing-related transaction, other than those related to the acceptance of equity in the company by the Institute shall be consistent with Institute transactions for comparable Innovations.
4. The Institute Innovator(s) that generates a licensed Innovation may perform clinical trials or other comparable licensed-product testing for companies in which the Institute holds equity as part of the Innovation licensing-related transaction only upon the specific approval of the Director of the TMO or other individual or committee authorized by the Vice President for Research to assess any real or perceived organizational conflict of interest in the performance of such trials or testing activities.
5. The Institute shall not accept more than a ten percent (10%) share of ownership in a licensee.
6. When the Institute accepts equity in a company as partial consideration for an Innovation licensing-related transaction, the Institute, taking into account any legal restrictions and the wishes of each Innovator involved, shall:
  - i. arrange for the Innovator(s) to receive his or her share of equity directly from the company upon execution of the relevant agreement; or
  - ii. take all equity, including the Innovator(s)' share, in the name of the Institute, in which case the Vice President for Finance/Treasurer will make decisions

regarding equity disposition based upon sound business judgment and publicly available information, and will coordinate with the appropriate Institute officials if necessary; the Innovator(s)' sole right being the receipt of the appropriate share of such equity or its cash equivalent at such time and in such for as the Treasurer shall deem appropriate; and

- iii. the Institute will hold the Innovator's equity interest in escrow for the benefit of the Innovator.
- 7. The Institute shall determine the Innovator(s)' share of equity consistent with formulas established in this Policy with the exception that expenses identified in this Policy will not be applied to any Innovator(s)' share of distribution made in the form of equity.
- 8. The Institute shall distribute cash proceeds, upon conversion of equity to cash, in accordance with the schedules and formulas established in this Policy, recognizing the Innovator(s)' equity distributions, if any, already made pursuant to the above.
- 9. Institute contracts with licensees must be negotiated by the TMO, not directly by the Innovator.
- 10. The Innovator and the Institute's equity interest will not be traded until after a stipulated trigger date.
- 11. Any association of the Innovator(s) with the licensee will be subject to disclosure, including compensation, prior approval and annual reporting.
- 12. Institute units from which the Intellectual Property originates must have adequate policies and procedures for conflict of interest consistent.

Unlike royalty revenue, equity revenue distribution is sporadic and likely to occur only once. Cash received from the sale of shares allocated to the Innovator will be apportioned in equal amounts annually over the remaining life of the Innovation's legal protection or the remaining years under the relevant license agreement, whichever is shorter, unless another method of distribution is agreed upon.

## **XV. Use of the Institute's Name**

All written or broadcast material containing the Institute's name for advertising, marketing, or other promotional purposes shall be submitted for approval to the TMO Director prior to the use of such material. The Institute's name shall not be used as an endorsement. A statement on the use of the Institute's name shall be included in all appropriate contracts between industry and the Institute.

## **XVI. Publication and Confidentiality**

The Institute shall enter into contracts or other binding agreements to conduct research and training only if they permit the disclosure and publication of research. The Institute will not enter into sponsored research agreements and/or contracts which include provisions for assignment of Intellectual Property rights to the external sponsor if such agreements totally preclude publication and/or dissemination or research results gathered during the course of the sponsored program. The research sponsor may not prohibit the Innovator from disclosing his or her results to the Institute and the TMO; nor from the public.

Public disclosure includes the publishing of abstracts and papers, theses, grants or contract applications, slides and projected materials given in non-confidential arenas or informal discussions. Delays in publication up to 120 days may be agreed to in order to permit time for filing of patent applications and other registration of Intellectual Property. The Director of the TMO shall have the authority to approve sponsored research agreements and/or contracts which require a reasonable delay in the public dissemination of research results, including a reasonable delay in publication, the delivery of lectures and/or seminars, and the release of other materials or devices which broadly disseminate information.

For purposes of this policy, a reasonable delay is defined as a delay of no more than one (1) year following submission of publishable material to the research sponsor, or six (6) months following termination of the research contract, whichever shorter. The Innovator shall not undertake research in which the sponsor:

- A. prohibits the Institute representative from disclosing the existence of the agreement; or
- B. restricts the Institute representative's public disclosure or information developed by that faculty member.

All exceptions to this policy will require prior approval by the Vice President for Research.

### **XVII. Conflict of Interest**

For potential conflict of interest situations and policy thereon, please refer to the Institute Conflict of Interest Policy.

### **XVIII. Grievance Mechanism**

In the event an Innovator has a grievance about the Institute's handling of his/her Innovation, he/she may present their appeal directly to the Vice President for Research.

## Item 2. Employee Intellectual Property Agreement

(The following is a sample Letter of Agreement that is to be used in conjunction with the draft intellectual property policy. Every individual at the organization covered by the policy would be expected to sign this agreement.)

Name (please print or type): \_\_\_\_\_

National Identification Number: \_\_\_\_\_

In consideration of:

- \* my present or future employment at the ABC Research Institute; and/or
  - \* my participation in research at the Institute; and/or
  - \* opportunities made or to be made available to me to make significant use of the Institute's funds or facilities; and/or
  - \* opportunities to share in royalties and other inventors/author rights outlined in the Institute's Intellectual Property Policy, I agree:
- A. to promptly make full written disclosure, to hold in trust for the sole right and benefit, and hereby assign to the Institute all my right, title and interest in and to any and all intellectual property (Intellectual Property) whether or not patentable or registrable under copyright or similar laws, which I may solely or jointly discover either in the Institute and/or a laboratory at another facility where the Institute provides full compensation to me and my family, except as provided below, that:
1. are developed in the course of or pursuant to a sponsored research or other agreement in which I am a participant in which the disposition of Intellectual Property has been agreed otherwise; or
  2. result from a work-for-hire funded by the Institute and which is the property of Institute; and including:
    - a. a work prepared by an employee within the scope of his or her employment responsibilities; or
    - b. certain works prepared by non-employees that are specially ordered or commissioned where the parties both agree in writing that the work shall be considered a work made for hire including: a contribution to a collective work, part of a motion picture or other audio-visual work, a translation, a supplemental work, a compilation, an instructional text, a test and/or answer material, or an atlas;
  3. result from work for which no equipment, supplies, facility or trade secret information of the Institute were used and which was developed entirely on the employee's own time, and does not relate:
    - a. directly to the business of the Institute;
    - b. to the Institute's actual or demonstrably anticipated research or development;
    - c. does not result from any work performed by the employee for the Institute;

and

- d. to scholarly works including:
  - i. work developed by instructors as teaching materials;
  - ii. work that has a purpose of disseminating information resulting from research or studies such as books, articles, manuscripts, dissertations, theses and reports; and
  - iii. fine artwork that is not an institutional work;

that copyright ownership in scholarly works resides with the discoverer(s) unless the work:

- i. is governed by an agreement;
  - ii. utilizes significant Institute resources in its development; or
  - iii. uses the Institute's name in the promotion of the work;
- B. To execute all necessary papers and otherwise provide proper assistance, at the Institute's expense, during and subsequent to the period of my Institute affiliation, to enable the Institute to obtain, maintain or enforce for itself or its nominees, patents, copyrights or other legal protection for such Intellectual Property; and
- C. To prepare and maintain for the Institute adequate and current written records of all such Institute Intellectual Property; and
- D. To deliver promptly to the Institute when I leave the Institute for whatever reason, and at any other time as the Institute may request, copies of all written records referred to in paragraph C. above as well as all related memoranda, notes, records, schedules, plans or other documents, made by, compiled by, delivered to, or manufactured, used, developed or investigated by Institute, which will at all times be the property of the Institute; and
- E. Not to disclose or use in my work any such information referred to in paragraph D to my new employer or any other entity or person for a period of ten (10) years after I leave the Institute (unless otherwise agreed in writing with Institute); and
- F. Not to disclose or use in my work any such information referred to in paragraph D to my new employer or any other entity or person for a period of ten (10) years after I leave the Institute (unless otherwise agreed in writing with Institute); and
- G. Not to disclose to the Institute or use in my work at Institute (unless otherwise agreed in writing with Institute):
  - 1. any proprietary information of any of my prior employers or of any third party, such information to include, without limitation, any trade secrets or confidential information with respect to the business, work or investigations of such prior employer or other third party; or
  - 2. any ideas, writings, or Intellectual Property of my own which are not included in Paragraph A. above within the scope of this Agreement (please note that inventions previously conceived, even though a patent application has been filed or patent issued, are subject to this Agreement if they are actually first reduced to practice under the circumstances included in Paragraph A. above).

This Agreement replaces all previous agreements relating in whole or in part to the same or similar matters which I may have entered into with the Institute. It may not be modified or terminated, in whole or in part, except in writing signed by an authorized representative of the Institute. Discharge of my undertakings in this Agreement will be an obligation of my executors, administrators or other legal representatives or assignees.

I represent that, except as identified on the reverse side hereof, I have no agreements with or obligations to others in conflict with the foregoing.

---

Signature

Date

(To be made out and signed in triplicate. Distribution: original copy to the signatory's personnel file; second copy to the signatory; and third copy to the Institutes Intellectual Property Office.)

### **Item 3. Abbreviated Patent Policy (Intellectual Property Policy)**

(The following is a patent policy from an U. S. research university. The document is abbreviated and does not include many of the items suggested in this exercise.)

Consistent with its public service mission and with regulations governing federally-funded research, the University endeavors to foster the development of its inventions and discoveries through patenting and licensing to industry. A patent provides an incentive for a company to license an invention from the University and to invest in developing and marketing products based on the invention. Licensing proceeds provide a means for the University to recognize and reward the creative research efforts of inventors and to support additional University research.

Any discovery or invention which a) results from research carried on by, or under the direction of, any employee of the University which is supported by University funds or by funds controlled or administered by the University, or b) results from an employee's duties with the University, or c) has been developed in whole or in part through the utilization of University resources or facilities not available to the general public shall belong to the University ("University Inventions").

In order to assist the University in protecting University Inventions, University employees and students (including postdoctoral appointees, graduate and undergraduate students) shall disclose any University Inventions to the University prior to disclosing such discoveries or inventions through publications, presentations, or communications with third parties (including research sponsors) in a manner which may inhibit or preclude the University from obtaining patent protection. Such disclosure may also be required to comply with legal and/or contractual obligations owed to governmental or non-governmental research sponsors. University faculty shall not disclose University Inventions in the course of performing Outside Work for Pay unless and until the University has had the opportunity to take the steps necessary to protect University Inventions through patent or otherwise.

The University's goal is to manage University Inventions in such a manner as to produce the greatest benefit to the University and to the public. The University may, but is not obligated to, seek to protect any

University Inventions by patent or otherwise. After receiving disclosure of a University Invention, the University may elect to assign title to the University Invention to the inventor(s).

The University will recover all direct expenses incurred for the patenting, protection and licensing of each University Invention from its licensing proceeds before distributing the net proceeds remaining among the inventor(s), the inventor's major administrative unit, and the University according to the following schedule:

**Net Licensing Proceeds on a Particular University Invention**

	<b>Inventor(s)</b>	<b>Major Administrative Unit</b>	<b>University</b>
First \$5,000	100%	0	0
Next \$100,000	33 1/3%	33 1/3%	33 1/3%
Next \$400,000	30%	30%	40%
Next \$500,000	20%	20%	60%
All Additional Net Licensing Proceeds Over \$1,005,000	15%	15%	70%

The President shall be responsible for administering this policy and managing University Inventions, including technological know-how that may be licensable but may not be patented or patentable. The President has delegated this authority under this policy to the Vice President for Research and Graduate Studies. The President may authorize exceptions to this policy that she/he determines to be in the best interest of the University.

Particular University Inventions or licensing proceeds may be transferred to the University Foundation for administration consistent with the net licensing proceeds distribution table above.

**Homework**

Review Laws, policies and customs that would impact the development of an intellectual properties policy.

1. List any laws that would impact the policy
2. List any organizational policies that would impact the policy.
3. List any customs (country, regional, and/or organizational) that would impact the policy.
4. Using the draft policy rewrite those sections impacted by laws, policies and customs.
5. Using the above modifications draft an intellectual properties policy for your organization.

Review Item 3, the short intellectual policy agreement, and determine if it adequately covers the university. List the good parts of the policy, list areas not covered by the policy.

*The author wishes to emphasize that the draft policies presented in this chapter are approved for use in the United States only and should not be used as presented here in any other country. Intellectual Property laws vary throughout the world and terms in a policy acceptable in the United States may not be acceptable elsewhere. It is very important for each policy to be in accordance with the laws of the country in which the policy is to be used. It is also important for every policy to be reviewed and approved by an attorney knowledgeable in intellectual property matters.*

# Chapter 3

## Confidential Disclosure Agreements

### Introduction

Information generated through research, data management and manipulation, and through surveys are usually valuable to the individual or organization that owns this information. In order to control the use of this information before it becomes public knowledge and allow others to utilize all or a portion of this information the owner will make it available only through a legal instrument called a Confidential Disclosure Agreement, Confidentiality Agreement or a Secrecy Agreement. The terms “Confidential Disclosure Agreement” or “CDA” will be used throughout this exercise.

### Objectives of Exercise

The objectives of this exercise are several-fold. These objectives are to: 1) illustrate the importance of properly handled CDAs, 2) describe the major components of a CDA, 3) provide a means of reviewing critical CDA terms, and 4) allow each participant the means to modify a CDA to meet the requirements and needs of their country/organization.

### Definition/Description

The Confidential Disclosure Agreement is a legal instrument that allows for the exchange of proprietary or confidential information including research data under defined conditions. It is legally binding on both the lending and the receiving parties. The owner and/or lender can be an individual, an institution or a company. The type of CDA used can be long and complex or brief and simple. The type of CDA used depends on the owner/lender of the proprietary or confidential information.

### Details/Specifics

A number of basic/common terms and conditions used in a CDA are given below. For many of these terms and conditions a sample statement ( in italics) is provided.

1. **Parties:** The CDA must carefully list the lending and receiving organizations and their addresses. In some cases the CDA will include the names and specific addresses of the individuals who are authorized from each organization to handle the negotiation and signing of the CDA. Some times the effective date of the CDA, the date that all parties agreed to the terms of the CDA, is listed with the Parties term. In other cases the effective date is the last date at which the remaining party signed.

*This Confidential Disclosure Agreement (“Agreement”) is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between \_\_\_\_\_ (hereinafter referred to as “LENDER”) having its principle address at \_\_\_\_\_, and \_\_\_\_\_ (hereinafter referred to as “BORROWER”) having its principle office at \_\_\_\_\_*

2. **Description of information:** The information needs to be fully described so that one knows exactly what is to remain confidential. If any portion of the information is included in a patent application it should be noted and the patent application number listed.

*Subject Matter Description:*

3. **Purpose:** This term describes the conditions of use by the borrower. In the CDA used here, both parties are bound by the terms of the agreement. This CDA is one in which both parties can exchange confidential information on the topic covered in the *Subject Matter Description*. This two way CDA is advantageous when discussing possible licensing of an intellectual property.

Each Party as recipient of such proprietary information from the other Party will disclose such information only to its employees, directors, agents, consultants, bankers and advisors (“Representatives”) for the purpose of evaluation, and any Representatives to whom such information is disclosed shall be informed of the proprietary nature of the disclosure and of this Agreement and shall agree to hold such information in confidence and be bound by this Agreement in the same manner that each Party is bound. Each party shall be responsible for any breach of this Agreement by its Party Representatives.

Neither Party will use such information received from the other Party for any purpose except evaluation, testing, research and related activities and will not disclose such information to anyone except its Representatives unless prior written consent is obtained from the Party providing such information or as required by law.

4. **User:** Many times information exchange will cover a number of people and rather than name each individually, the CDA will simply refer to all as shown below as *Party Representatives*.

Each party shall be responsible for any breach of this Agreement by its Party Representatives.

5. **Restrictions:** Special requirements for the borrower in regard to the use of the information are to be included in this are of the CDA. In this case, the two way CDA, the responsibilities/restrictions for both parties are listed.

Neither Party will directly or indirectly divulge to unauthorized persons any information received from the other Party which relates to the subject matter of this Agreement, except as otherwise required by law. As a condition to receiving such information, each Party to this Agreement hereby acknowledges that all information provided by either Party to the other in connection with the subject matter of this Agreement is confidential and proprietary to the Party providing such information. Information to be subject to this Agreement shall be disclosed in writing or, if it is verbally or electronically disclosed as confidential at the time of disclosure, its confidentiality shall be confirmed in writing within twenty (20) days of disclosure by the Party making the disclosure.

6. **Location:** It is generally assumed that the use of the confidential information will be at the site of the Borrower. Many times this is not stated in the CDA.

7. **Time period:** The time period refers to how long one is required to keep the information confidential. After this period one can disclose the information without any penalties. It is important that this time period be limited in length and that the period will not interfere with other work or restrict publication, information dissemination or product introduction.

This Agreement shall be binding on both Parties for a term of \_\_\_\_\_ ( ) years from the effective Date of this Agreement.

8. **Exceptions:** One does not want to be required to hold information in confidence if the information was known before entering into the CDA or becomes publicly known before the end point of the CDA. One agrees to hold information in confidence except under certain conditions, the exceptions that can be outlined in the agreement. This area must be carefully reviewed when receiving a CDA to be sure that the Borrower is not bound to confidentiality terms that would adversely affect the borrower.

*This Agreement shall be binding on both Parties for a term of \_\_\_\_\_ ( ) years from the effective Date of this Agreement, except under the following conditions:*

1. *If a Party can show that such information was in its possession at the time of the disclosure; or*
2. *If the information disclosed by one Party to this Agreement is or becomes publicly known during the term of this Agreement otherwise than through a breach of that Party's obligations under this Agreement; or*
3. *If the Party later receives such information from a third Party as a matter of right; or if such information is developed by one Party independently or any disclosures made under this Agreement, as evidenced by that Party's written records.*

9. **Publication:** In some cases the lender will allow publication of some of the confidential information if the manuscript can be reviewed prior to submittal. The CDA will, in these cases, contain a clause that describes the conditions under which publication could occur.

10. **Governing law:** The organization preparing a CDA will have the Agreement under the control of its country's laws. This means if there is a legal dispute or a problem caused by a breach of the CDA the law applied to the dispute or breach would be the Governing Law. Even through negotiation changing the governing law country is difficult for the Borrower because the Lender will want to control this for its protection except in some cases the lender will allow for the naming of a neutral country, then neither the Lender's or Borrower's country, will be listed.

This Agreement shall be governed by the laws of \_\_\_\_\_.

11. **Effective date:** The Effective Date is the date for the beginning of the CDA. Any time period specified in the CDA is tied to this date. Often this date is given in the Parties term. In some cases it is the date of the last authorized signature.

## Discussion and Summary

Exchange of information that may be or could lead to the development of proprietary materials should only be used by others under a Confidential Disclosure Agreement arrangement. In some cases, CDA terms are used in research and licensing arrangements.

One must review and read all agreements carefully to determine if CDA terms are included. If they are included, it is important to have a complete description of what is to be held in confidence along with a limited confidentiality term and exception clauses. The use of the CDA allows the Lender to control how and where the information will be used and who will use it. It also establishes ownership of the information.

## Sample Confidential Disclosure Agreement

This Confidential Disclosure Agreement (“Agreement”) is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between \_\_\_\_\_ (hereinafter referred to as “LENDER”) having its principle address at \_\_\_\_\_, and \_\_\_\_\_ ( hereinafter referred to as “BORROWER”) having its principle office at \_\_\_\_\_.

The LENDER and the BORROWER are each hereinafter sometimes referred to individually as a “Party” and collectively as the “Parties”, for the purpose of protecting the patent, trade secret and other proprietary rights of the LENDER and the BORROWER in the following subject matter, which it may be mutually beneficial to disclose to each other for evaluation:

Subject Matter Description:

The Parties agree as follows:

Neither Party will directly or indirectly divulge to unauthorized persons any information received from the other Party which relates to the subject matter of this Agreement, except as otherwise required by law. As a condition to receiving such information, each Party to this Agreement hereby acknowledges that all information provided by either Party to the other in connection with the subject matter of this Agreement is confidential and proprietary to the Party providing such information. Information to be subject to this Agreement shall be disclosed in writing or, if it is verbally or electronically disclosed as confidential at the time of disclosure, its confidentiality shall be confirmed in writing within twenty (20) days of disclosure by the Party making the disclosure.

Each Party as recipient of such proprietary information from the other Party will disclose such information only to its employees, directors, agents, consultants, bankers and advisors (“Representatives”) for the purpose of evaluation, and any Representatives to whom such information is disclosed shall be informed of the proprietary nature of the disclosure and of this Agreement and shall agree to hold such information in confidence and be bound by this Agreement in the same manner that each Party is bound. Each party shall be responsible for any breach of this Agreement by its Party Representatives.

Neither Party will use such information received from the other Party for any purpose except evaluation, testing, research and related activities and will not disclose such information to anyone except its Representatives unless prior written consent is obtained from the Party providing such information or as required by law.

This Agreement shall be binding on both Parties for a term of \_\_\_\_ ( ) years from the effective Date of this Agreement, except under the following conditions:

1. If a Party can show that such information was in its possession at the time of the disclosure; or
2. If the information disclosed by one Party to this Agreement is or becomes publicly known during the term of this Agreement otherwise than through a breach of that Party’s obligations under this Agreement; or
3. If the Party later receives such information from a third Party as a matter of right; or if such information is developed by one Party independently or any disclosures made under this

Agreement, as evidenced by that Party's written records.

This Agreement shall be governed by the laws of \_\_\_\_\_.

To evidence their Agreement to the foregoing, the Parties have through duly authorized representatives executed this Agreement.

LENDER \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

BORROWER \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## Homework

- A. Agreement review: Knowing what items should and should not be in an agreement is important, but as equally important is being able to read terms to detect items for rejection or negotiation. This portion of the exercise will provide term review and rewriting experience. Below are paragraphs that may or may not be acceptable under the conditions of an organization's policies and/or country's laws. Review each paragraph to determine if it is acceptable according to the conditions of the organization (assume the organization complies with the country's laws). If the paragraph is unacceptable, suggest how it could be changed to meet the requirements of the organization. The author's comments and suggested rewrites follow the next homework section.

The policy of the organization states 1) that all new intellectual properties developed by an employee will be the property of the organization, 2) the ownership of the organization's intellectual property remains the property of the organization, 3) the right to publish is reserved for all scientists and 4) no one, regardless of nationality, is to be excluded from a research project.

- a. This Agreement shall be binding on both Parties for a term of 15 (fifteen) years from the effective Date of this Agreement.
- b. The confidential information, data and samples shall be used for purposes of evaluation only. Commercial use of such information and data shall be the subject of future negotiation.

It is understood that the above obligations of confidence and non-use shall not attach to information that was in the public domain at the time of disclosure or was known by the other party prior to the date of disclosure as evidenced by tangible records of such knowledge.

Obligations of confidence and non-use shall terminate when such information becomes part of the public domain through no fault of the receiving party or is received by either party in good faith from a third party having a bona fide right to disclose such information, data or samples.

In the event that either party considers certain information, data or sample provided by the other party to be excluded from the above obligations of confidence and non-use and intends to make disclosure of such information, data or sample to a third party, the receiving party shall give the disclosing party at least thirty (30) days prior written notice of the information to be disclosed and the basis upon which the information is believed to be excluded from obligation of confidence.

- c. Except for obligations of confidence, non-use and non-analysis this Agreement shall terminate two (2) years from the date of this letter.
- d. Both Licensee and Company agree to treat as confidential all technical information and proprietary information made available by Company to Licensee or by Licensee to Company provided that the party disclosing such information marks or otherwise identifies such information as "confidential" or "proprietary" (if such information is disclosed orally, it shall be summarized in writing within 30 days and such summary shall be identified as "confidential" or "proprietary"). All such information shall be known as "Confidential Information". Confidential Information shall include without limitation the Technical Information.\* Confidential Information shall be kept confidential and shall not be disclosed, released, used or transferred, whether orally or by any other means, to any other person or entity, without the prior written consent of the transmitting party. The receiving party shall protect the Confidential Information by using the same degree of care, but no less than a reasonable degree

of care, to prevent the unauthorized use, dissemination or publication of the Confidential Information as the receiving party uses to protect its own information of a like nature. The receiving party may disclose Confidential Information only to its employees, agents or attorneys who are to hold the Confidential Information in accordance with the terms of this Agreement.

- "Technical Information" shall mean (a) the Company Licensed Patents, (b) the biological materials and (c) unpublished research and development information, unpublished unpatented inventions, unpublished know-how and technical data developed or acquired by Company regarding the inventions described in the Company Licensed Patents.

Neither Licensee nor Company shall be bound by the provisions of this Paragraph with respect to information which (i) is known to the recipient at the time of disclosure; or (ii) is in the public domain at the time of disclosure; or (iii) becomes a part of the public domain after the time of disclosure, other than through disclosure by the recipient; or (iv) is independently developed by the recipient as shown by the records of the recipient; or (v) is required to be disclosed by law.

- e. All information received from the Company shall be held in confidence for perpetuity.
- B. Review of laws, policies and customs affecting CDAs in the participant's country and organization. For this part of the exercise use the Sample Confidential Disclosure Agreement.
- a. List any laws of your country that would impact the CDA.
  - b. List any organizational policies that would impact the CDA.
  - c. List any customs (country, regional, and/or organizational) that would impact the CDA.
  - d. Using the Sample CDA, the one with numbered paragraphs, list by number the terms/conditions impacted by laws (a), organizational policy (b) and customs (c).
  - e. Using the sample CDA, rewrite each impacted term/condition so it complies with laws, organizational policy and customs.
  - f. Prepare a "model" CDA for use by your organization that can serve as a base for "loaning" information or as a base for "borrowing" information.
- C. Responses for Part A:
- a. Probably not acceptable because the term of confidentiality is too long. not-for-profit organizations should have the shortest term possible, usually 3 years.
  - b. These paragraphs from a research agreement cover the handling of confidential information properly. The last paragraph is good in that it provides a mechanism for each party to object to holding something in confidence.
  - c. This termination clause is not good because the conditions for confidentiality are not included. Termination of the confidentiality conditions is not mentioned. This term should be added to the termination clause. Perhaps, the clause could be rewritten as follows: Obligations of confidence, non-use and non-analysis shall terminate four (4) years from the date of this letter, all other obligations shall terminate two (2) years from the date of this letter.
  - d. The material presented is fine. Note a new exception in the last paragraph, exception (iv) that states "is dependently developed by the recipient as shown by the records of the recipient". This exception is particularly good for a large research organization because a number of research groups may be researching a similar problem. A properly developed CDA will have the Agreement only apply to the research group borrowing confidential materials and not have it affect the other

research groups. This allows each research group to continue its efforts independently. While the material in this paragraph is good, it is lacking one thing: a termination clause. In fact, nowhere in the entire agreement from which this paragraph was extracted was there a termination date. A termination clause must be added to make this paragraph acceptable.

- e. This is a terrible clause. It says “All information” is confidential! There are no exceptions! All information from all parties would be considered as confidential – even information that was published is to be considered as confidential! This would prevent any one from publishing or making public presentations. The other bad thing about this clause is the time period. There is none! All information would have to held in confidence forever! Never accept a clause like this.

*The author again wishes to emphasize that the agreements presented in this Workbook are approved for use in the United States only and should not be used as presented here in any other country. Intellectual Property laws vary throughout the world and terms in an agreement acceptable in the United States may not be acceptable elsewhere. It is very important for each type of agreement to be in accordance with the laws of the country in which the agreement is to be used. It is also important for every agreement to be reviewed and approved by an attorney knowledgeable in intellectual property matters.*

# Chapter 4

## Material Transfer Agreements

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### Introduction

The intricacy of biotechnological research is such that one often needs basic research tools or materials, which have been developed by others. Often these tools and materials are not available for purchase from biological supply firms, but must be borrowed from another researcher or his/her organization. Because these tools and materials may be commercially valuable, few are willing to lend these materials without some type of legal contract in place. Generally the type of contract used is called a “Material Transfer Agreement” or “MTA”.

### Objectives of Exercise

The objectives of this chapter are several-fold. These objectives are: 1) to illustrate the importance of properly handled MTAs, 2) to describe the major components of an MTA, 3) to provide a means of reviewing critical MTA terms, 4) to allow each participant the means to modify an MTA to meet the requirements and needs of their country/organization and 5) to describe means of providing continuing review of MTAs.

### Definition/Description

The Material Transfer Agreement is a legal instrument, which allows someone to borrow something, a tool or material, under defined terms and conditions. It is a contract binding both the owner or lender and the borrower. The owner or lender can be an individual, an institution or a company. The MTA can be simple and short or it can be quite complex, detailed and long. The type of MTA used depends on the owner/lender of the tools or materials, but whether short or long, simple or complex the basic terms will be quite similar.

### Discussion

The MTA, if prepared properly, should fully specify how the material is to be used, by whom and where, and if the resulting products can be commercialized. Any deviation from these conditions, if done without prior written approval from both organizations, is a violation of the MTA. The lender may enact the Governing Law clause and formally punish the borrower or it may work with the borrower to reach a satisfactory settlement.

The researchers who developed what is called “Golden Rice” learned that the materials they borrowed were for research purposes only, so their product, Golden Rice, could not be made available to the public. It has been demonstrated that the Golden Rice product could be very valuable in overcoming certain deficiency (human health) problems in many areas of the world, yet it remains a research product only. Presently a number of organizations are working with the owners of the materials used by the Golden Rice researchers attempting to negotiate releases so the rice can be made available to others. If the

releases cannot be obtained from all the patent owners the Golden Rice variety will have to be destroyed or simply remain as a research product.

At Michigan State University a researcher brought a new product to the attention of the University's technology transfer office. The product appeared to be quite valuable in the production of a particular drug. A potential licensee was found and the researcher and university were to gain financially through this licensing. A license was negotiated and was to be signed. Approximately one hour before the signing was to occur the researcher brought in a "little agreement" he had forgotten about. The agreement was a MTA stating the material he obtained and used in the product to be licensed was provided for research purposes only. The lending company was contacted, but it would not allow the licensing of its material. The new product was destroyed and was never made available to the drug industry. In this case the MTA had been accepted by the researcher, not by a knowledgeable person authorized to sign the MTA.

The United States National Institutes of Health has developed a standard MTA that is used by many institutions in the United States.

A copy of this MTA can be found at <http://www.niehs.nih.gov/techxfer/ubmta.htm>.

## **Handling of Material Transfer Agreements to Avoid Problems:**

Because MTA's are very important in biotechnology research it is necessary to develop appropriate procedures for handling them. One such procedure is an organizational policy, which can provide guidelines and rules for the one reviewing, writing, negotiating and signing MTAs (see Policy Exercise). If an organization plans to allow others to borrow any of its materials it should design a standard MTA for use when requests are made for a material. The person designing the MTA should be one familiar with biotechnology research and knowing the needs of researchers and their programs. After this individual completes the design the MTA can be reviewed by an attorney to ascertain that the MTA is legally correct.

When lending or borrowing the researcher should not be the authority who accepts the MTA. The researcher often is unfamiliar with the legal terminology of a MTA and may accept terms which are unfavorable for both the researcher and the organization. Only an individual authorized by the organization should review, negotiate and accept an MTA. Researchers are often impatient and will not appreciate the time it takes to obtain an appropriate MTA. However, if the researcher realizes the implications of the unacceptable terms he/she will better appreciate the efforts of the authorized individual (most MTAs can be negotiated within a month, one exception to this was a MTA that was over a year in negotiation with the author).

The authorized representative, the individual authorized to sign MTAs, should establish an in depth review of each potential material transfer. At Michigan State University the authorized representative, Ms. Janyth Sherman, developed a special review form which is to be completed by the researcher before she will accept a MTA (See Attachment 2). This review can help prevent problems as described in the Discussion section above and the following Case Histories section. The author suggests even a more intensive and extensive review and the forms designed to do this are attached (See Attachments 3, 4 and 5). With these forms the authorized representative would meet with the researcher when material needs to be borrowed or loaned and complete the Biotechnology Audit Form. Later the authorized representative will utilize the Biotechnology Audit Form Review using data from the Audit Form and information the representative has obtained. After completing the Form Review the representative would

discuss the matter with the researcher and learn of any developments the researcher has or expects to develop. The authorized representative could also begin negotiations with any of the lenders to overcome restrictions which might prevent a product from being used commercially or for humanitarian purposes. If the researcher does develop a product which appears to be humanitarian or commercially viable, the last form would be completed, the Biotechnology Product Review. At this point it would be quite easy to determine if the product will be able to be carried forward to meet its potential in serving society.

## Summary

The Material Transfer Agreement is a valuable tool for the biotechnology researcher because it allows the researcher to loan or borrow materials under conditions that are acceptable to the researcher and the researcher's organization. The MTA has a number of defined terms and conditions, which if properly worded provide guidance for all parties. MTA drafting, review, negotiation and execution should be done by one properly trained to handle these agreements, not necessarily an attorney. Proper review and follow through of the MTA and the research program for which the MTA is used will provide an expected use of any products developed through the research program

## Details/Specifics

A number of basic/common terms and conditions used in a MTA are given below. For most of these terms and conditions a sample statement is provided.

1. **Parties:** The MTA must carefully list the lending and borrowing organizations and their addresses. In some cases the MTA will include the names and specific addresses of the individuals who are authorized from each organization to handle the negotiation and signing of the MTA. Many times the Effective Date of the MTA, the date that all parties agreed to the terms of the MTA, is listed with the Parties term.

*This Material Transfer Agreement is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Effective Date") by and between \_\_\_\_\_ (hereinafter referred to as "LENDER") having its principle office \_\_\_\_\_ at \_\_\_\_\_*

*And*

*\_\_\_\_\_ (Hereinafter referred to as "BORROWER") having its principle office at \_\_\_\_\_*

2. **Description of material:** The material needs to be fully described, including any derivatives or products currently developed. In those cases where the material is being patented, the patent or patent application number should be included. Also, list any publications where the material has been cited.

*The "MATERIAL" covered by this Agreement is defined as and includes the following \_\_\_\_\_ (hereinafter referred to as "MATERIAL") developed by \_\_\_\_\_.*

3. **Purpose:** This term describes the conditions of use by the borrower. Usually one of the following conditions is stated: for research purposes only or for commercial applications

under specified conditions. The majority of MTA's allow "for research purposes only". This means that any products developed from the material cannot be used for commercial or humanitarian purposes. Any products should be destroyed at the termination of the MTA. If the MTA grants commercialization rights, the MTA will include terms that describe the requirements, usually a royalty, that must be followed for the commercialization process.

*This Agreement and the resulting transfer of MATERIAL constitute a restricted non-exclusive license for BORROWER to use the MATERIAL solely for not-for-profit purposes. MATERIAL will not be used for any purpose inconsistent with this Agreement and in connection with any activity that is subject to consulting or licensing obligations to any third party. Upon completion of the work for which this restricted license is granted, MATERIAL, which has not been destroyed, will be disposed of as explicitly directed by the LENDER. The LENDER retains title to the MATERIAL, and BORROWER shall not obtain any ownership rights in MATERIAL.*

4. **User(s):** It is important for the lender to restrict the use of its material if it desires to retain control, so a term listing who can use the material is essential. Often a single researcher is named as the authorized user of the material. The MTA may allow for those working exclusively for the researcher to use the material. If there is little concern about the material's use then the list of users can be expanded. If there is no restriction regarding who may use the material then anyone at the borrower's organization can use it.

*BORROWER agrees that this MATERIAL will not be released to any person other than the signatories of this Agreement except co-workers working directly under a signatory's supervision who have agreed to abide by the terms and conditions of this Agreement.*

5. **Location:** This term describes where the material can be used. If a single individual is listed then that researcher's laboratory, giving building name and room number, could be listed as the site for the use of the material in research. This term should indicate if the material can be used at any site other than the borrower's, for example, could the material be used in field testing and if so where?

*No one is permitted to take or send this MATERIAL to any other location, unless prior written permission is obtained from the LENDER; such permission will not be unreasonably withheld.*

*BORROWER will not remove the MATERIAL from BORROWER's premises except to the extent necessary to fulfill its obligations under this Agreement.*

6. **Usage:** Defining the research program the material will be used in and what the researcher plans to accomplish with this research is important. This information may be summarized briefly in the MTA or, under some circumstances, included as an attachment to the MTA.

*BORROWER desires to obtain samples of the MATERIAL and the LENDER is willing to provide the MATERIAL to the BORROWER solely for the permitted uses and on the terms and conditions set forth in this Agreement.*

7. **Restrictions:** Special requirements for the borrower for a specific material are to be included in this term. One example of a specific restriction is as follows; "Not to be used for human research". Another is: "the materials must be used in a manner consistent with U.S. National Institutes of Health guidelines or such laws and conditions provided in the country of use".

*MATERIAL will not be used for any purpose inconsistent with this Agreement and in connection with any activity that is subject to consulting or licensing obligations to any third party.*

*BORROWER agrees that it will not use the MATERIAL in human subjects, in clinical trials, or for diagnostic purposes involving human subjects without the written consent of the LENDER.*

*The BORROWER shall be responsible for any and all import/export requirements and regulations for the reception of such MATERIAL.*

*Either party may disclose the other party's Confidential Information to a governmental authority if such party reasonably believes that such disclosure is required by applicable law or regulation or by subpoena or order of court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the other party.*

*BORROWER will exercise all reasonable precautions to protect the integrity and confidentiality of the MATERIAL, and BORROWER shall maintain records of the location of all MATERIAL. BORROWER will not remove the MATERIAL from BORROWER's premises except to the extent necessary to fulfill its obligations under this Agreement.*

8. **Time period:** A date is set to terminate the MTA. Usually this date is a number of years, two or three, from the effective date of the MTA. If no termination date is set, the borrower can use the material indefinitely.

*This Agreement will terminate on the earliest of the following dates: (1) when the MATERIAL becomes generally available from third parties, (2) on completion of BORROWER's current research with the MATERIAL, (3) on (30) thirty days written notice by either party to the other, or (4) on \_\_\_\_\_, 20\_\_.*

9. **Completion requirements:** At the termination date of the MTA the lender has instructions for the handling of the material. The lender could ask for the return of the material, for the destruction of the material, or simply require proof that the lender is no longer using the material and that it has been destroyed.

*Upon completion of the work for which this restricted license is granted, MATERIAL, which has not been destroyed, will be disposed of as explicitly directed by the LENDER. The LENDER retains title to the MATERIAL, and BORROWER shall not obtain any ownership rights in MATERIAL.*

10. **Ownership – derivatives:** The lender should state clearly if it will allow the borrower to own any derivatives of the material it, the lender, develops during the Time Period. The lender may allow the borrower to retain any rights to the derivatives with no stipulations. The lender may state that any derivatives are the property of the lender. Or the lender may say the borrower can retain the derivatives, but must make them available for unrestricted use by the lender. Again, if there is no statement regarding derivatives they will automatically belong to the borrower.

*The BORROWER retains ownership of: (a) modifications which contain/incorporate the MATERIAL (except that, the LENDER retains ownership rights to the MATERIAL included therein), and (b) those substances created through the use of the MATERIAL or*

*modifications, but which are not progeny, unmodified derivatives or modifications (those substances that do not contain the original MATERIAL, progeny, unmodified derivatives of the LENDER). If either 2 (a) or 2 (b) results from the collaborative efforts of the LENDER and the BORROWER joint ownership may be negotiated.*

11. **Ownership – products:** The MTA must state who owns any new products discovered through the use of the material. If nothing is stated about this in the MTA the borrower automatically obtains ownership.

*The LENDER retains title to the MATERIAL, and BORROWER shall not obtain any ownership rights in MATERIAL.*

*The MATERIAL has been developed over a substantial period of time at substantial expense and is of great importance to the LENDER's business. BORROWER acknowledges that the LENDER is and will at all times remain the owner of the MATERIAL.*

12. **Commercialization rights:** If the borrower develops a potentially commercial product using the material, the MTA must include directions for the handling of this product. The MTA must state who owns such products. If the lender is granted ownership, under what conditions can it commercialize the product? If the lender owns it, what compensation will be given the borrower for discovering this product?

*If the BORROWER intends to use such MATERIAL to determine if a commercializable system can be developed as a result of the BORROWER having received this MATERIAL whether patentable or not, BORROWER shall promptly notify the LENDER in writing of the substance of each such discovery and of the filing of any patent application thereon. BORROWER agrees to negotiate in good faith prior to marketing of such discovery compensation to be paid by the BORROWER to the LENDER. Giving consideration to the contributions of the parties to the discovery and its development, such compensation may include royalties in the gross sales value of the worldwide sales of such discovery derived from the MATERIAL.*

13. **Publication:** The lender may or may not allow the borrower to publish data obtained while using the material. If there is no statement regarding publication, the borrower is free to publish. If the lender's MTA does not allow publication of any information from the use of the material, the lender's organization may negotiate to overcome this problem. Negotiation in this matter has been successful for the author a number of times. In this instance, it is important to have a proper policy regarding publication rights for researchers. Often times the outcome was a compromise where the borrower submitted a manuscript to the lender for review prior to submittal for publication. The lender had a limited time for the review. Usually the lender is concerned about intellectual property protection and review of the manuscript provides a means for accessing new or improved properties.

*BORROWER shall provide LENDER with a manuscript of any proposed publication or presentation resulting from the study using MATERIAL at least sixty (60) days prior to submission thereof for publication or presentation. LENDER reserves the right to review any such manuscript and to require the removal of confidential matter in order to protect its proprietary rights and interests. LENDER shall notify BORROWER in writing within the sixty (60) day period concerning the removal of confidential matter and to suggest editorial modifications in the manuscript.*

14. **Citation requirements:** If the lender allows publication, it may decide that the material be listed to provide the lending organization with the most favorable listing. The lender could require the borrower to include the name of the lender's organization, the discover, or other pertinent information.

15. **Sharing of data:** The lender may require the borrower to share all data from the use of the material in the borrower's research. Many times the borrower's organization will negotiate this clause so it can know of any use of its data: for example: they may request to be listed as a coauthor on any publication using the data.

*BORROWER hereby agrees, upon the request of the LENDER, to provide the LENDER with a report of observations related to the MATERIAL by providing the LENDER with a report describing the results of such research using the MATERIAL. To the extent that it is able, BORROWER will acknowledge LENDER's contribution.*

*BORROWER hereby grants the LENDER a non-exclusive, world-wide royalty-free right to use for its internal research purpose any information or new material developed by BORROWER using the LENDER MATERIAL whether patentable or not. The LENDER agrees not to publish results involving BORROWER's data without citing its source and giving credit of authorship/creatorship to BORROWER, provided that is desired by BORROWER..*

16. **Preparation costs:** The lender can ask through the MTA for the borrower to pay for the costs of preparing the materials, for mailing costs and any other incidental costs associated with getting the materials to the borrower.

*The BORROWER shall be responsible for any and all import/export requirements and regulations for the reception of such MATERIAL.*

17. **Governing law:** An organization preparing a MTA will have the Agreement under the control of its country's laws. This means that if there is a legal dispute or a problem caused by a breach of the MTA, the law applied to the dispute or breach would be the Governing Law. A Kenyan organization would have the laws of Kenya apply to the MTA it writes, while the United States would have its law apply to MTAs. As a lender the borrowing organization must abide by the lender's laws, so one borrowing from the Kenyan organization would be governed by the Kenyan law if there was a problem. The borrower has little chance in changing the governing law clause, so if a Kenyan organization borrowed a material from a United States organization, the Kenyan group would be governed by United States law. It may be possible to negotiate for a neutral country's laws to apply to the MTA.

*This Agreement shall be governed by the laws of \_\_\_\_\_.*

## Sample Material Transfer Agreement

1. This Material Transfer Agreement is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between \_\_\_\_\_ (hereinafter referred to as “LENDER”) having its principle office at \_\_\_\_\_

And \_\_\_\_\_ (Hereinafter referred to as “BORROWER”) having its principle office at \_\_\_\_\_.

2. In consideration of the mutual covenants contained herein and with the intention of being legally bound under the laws:

3. The “MATERIAL” covered by this Agreement is defined as and includes the following \_\_\_\_\_ (hereinafter referred to as “MATERIAL”) developed by \_\_\_\_\_.

4. BORROWER desires to obtain samples of the MATERIAL and the LENDER is willing to provide the MATERIAL to the BORROWER solely for the permitted uses and on the terms and conditions set forth in this Agreement.

5. BORROWER agrees that this MATERIAL will not be released to any person other than the signatories of this Agreement except co-workers working directly under a signatory’s supervision who have agreed to abide by the terms and conditions of this Agreement. No one is permitted to take or send this MATERIAL to any other location, unless prior written permission is obtained from the LENDER; such permission will not be unreasonably withheld.

6. The MATERIAL has been developed over a substantial period of time at substantial expense and is of great importance to the LENDER business. BORROWER acknowledges that the LENDER is and will at all times remain the owner of the MATERIAL.

7. The BORROWER retains ownership of: (a) modifications which contain/incorporate the MATERIAL (except that, the LENDER retains ownership rights to the MATERIAL included therein), and (b) those substances created through the use of the MATERIAL or modifications, but which are not progeny, unmodified derivatives or modifications (those substances that do not contain the original MATERIAL, progeny, unmodified derivatives of the LENDER). If either 2 (a) or 2 (b) results from the collaborative efforts of the LENDER and the BORROWER joint ownership may be negotiated.

8. This Agreement and the resulting transfer of MATERIAL constitute a restricted non-exclusive license for BORROWER to use the MATERIAL solely for not-for-profit purposes. MATERIAL will not be used for any purpose inconsistent with this Agreement and in connection with any activity that is subject to consulting or licensing obligations to any third party. Upon completion of the work for which this restricted license is granted, MATERIAL, which has not been destroyed, will be disposed of as explicitly directed by the LENDER. The LENDER retains title to the MATERIAL, and BORROWER shall not obtain any ownership rights in MATERIAL.

9. MATERIAL is experimental in nature and it is provided AS IS WITHOUT WARRANTY OF ANY SORT, EXPRESSED OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR USE. LENDER makes no presentation and provides no warrant that the use of the MATERIAL by BORROWER will not infringe any patent or proprietary rights of third parties.

10. BORROWER agrees that it will follow all applicable laws and guidelines set forth by proper authority regarding the use and handling of such MATERIAL.

11. BORROWER agrees that it will not use the MATERIAL in human subjects, in clinical trials, or for diagnostic purposes involving human subjects without the written consent of the LENDER.

12. The BORROWER shall be responsible for any and all import/export requirements and regulations for the reception of such MATERIAL.

13. If the BORROWER intends to use such MATERIAL to determine if a commercializable system can be developed as a result of the BORROWER having received this MATERIAL whether patentable or not, BORROWER shall promptly notify the LENDER in writing of the substance of each such discovery and of the filing of any patent application thereon. BORROWER agrees to negotiate in good faith prior to marketing of such discovery compensation to be paid by the BORROWER to the LENDER. Giving consideration to the contributions of the parties to the discovery and its development, such compensation may include royalties in the gross sales value of the worldwide sales of such discovery derived from the MATERIAL.

14. BORROWER shall provide LENDER with a manuscript of any proposed publication or presentation resulting from the study using MATERIAL at least sixty (60) days prior to submission thereof for publication or presentation. LENDER reserves the right to review any such manuscript and to require the removal of confidential matter in order to protect its proprietary rights and interests. LENDER shall notify BORROWER in writing within the sixty (60) day period concerning the removal of confidential matter and to suggest editorial modifications in the manuscript.

15. BORROWER hereby agrees, upon the request of the LENDER, to provide the LENDER with a report of observations related to the MATERIAL by providing the LENDER with a report describing the results of such research using the MATERIAL. To the extent that it is able, BORROWER will acknowledge LENDER's contribution.

16. BORROWER hereby grants the LENDER a non-exclusive, world-wide royalty-free right to use for its internal research purpose any information or new material developed by BORROWER using the LENDER MATERIAL whether patentable or not. The LENDER agrees not to publish results involving BORROWER's data without citing its source and giving credit of authorship/creatorship to BORROWER, provided that is desired by BORROWER.

17. Either party may disclose the other party's Confidential Information to a governmental authority if such party reasonably believes that such disclosure is required by applicable law or regulation or by subpoena or order of court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the other party.

18. BORROWER will exercise all reasonable precautions to protect the integrity and confidentiality of the MATERIAL, and BORROWER shall maintain records of the location of all MATERIAL BORROWER will not remove the MATERIAL from BORROWER's premises except to the extent necessary to fulfill its obligations under this Agreement.

19. This Agreement will terminate on the earliest of the following dates: (1) when the MATERIAL becomes generally available from third parties, (2) on completion of BORROWER's current research with the MATERIAL, (3) on (30) thirty days written notice by either party to the other, or (4) on \_\_\_\_\_, 20\_\_\_\_.

20. This Agreement shall be governed by the laws of \_\_\_\_\_.

21. IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement.

LENDER \_\_\_\_\_

BORROWER \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## Case Histories

The following examples will describe situations where proper MTAs or understanding of a situation would have prevented a problem. Each case will be described briefly and be followed by a “what should have been done” scenario.

1. **Starch gene:** A university researcher isolated and characterized genetic material used in plant starch production. A friend from a major company visited the researcher and learned of the materials. The friend asked if the researcher would give him some of the genetic material and the researcher agreed to do so. The friend’s company patented the genetic material and used it for commercial purposes. The researcher’s use of the genetic material was restricted, the researcher could not even share it with others in the university without the company’s permission. The company did provide a limited graduate fellowship for the researcher’s laboratory, but nothing more.

The researcher should not have given the material to the friend without a fully signed MTA. The MTA would have prevented the company from patenting the material and using it for commercial purposes without compensation to the university. The company should have licensed the material from the university and paid royalties for the use of the material.

2. **Transformed potato:** As part of a major research project a university researcher’s goal was to develop a potato resistant to certain insects. The researcher was able to reach this goal. The potato, a public variety, was transformed into exhibiting insect resistance with the aid of three pieces of genetic material. Two were from one company and one was the property of another company. The transformed potato was field tested and found to be superior to any other potato available. All the genetic materials were loaned to the university through properly executed MTAs. The university wanted to make the potato available publicly, but the terms of the MTAs prevented this. Negotiations with the two companies failed to obtain a release.

In this case, the authorized representative should have worked more with the researcher to learn that public utilization of the product was expected. The representative would have negotiated for this release when reviewing and accepting the MTAs. With proper negotiation the transformed potato would have been ready for release when the field tests were completed.

3. **Foreign Researcher:** A graduate student from a developing country traveled to another country to begin a research program at a university in agricultural biotechnology. The student brought three pieces of genetic materials to use in the doctoral program. The doctoral university patented the materials and prevented the student from taking these materials back to the foreign country for use there.

The student should not have used or taken the genetic materials to the doctoral university without an executed MTA. The MTA would have prevented the loss of the materials. The university was wrong and should not have taken advantage of the student. The university should have provided the student with a proper MTA so the materials would be protected. Also the university should have provided a financial reward to the student for the materials if they were used for commercial purposes.

4. **Horticulture Research:** The Horticulture Research Center of a developing country had been receiving germplasm on a regular basis from an American university until the last year or so. The university said it could not send any additional material unless a MTA was executed. The university also said it needed to see the Center's policy in regard to ownership and handling of intellectual properties. The Center did not have such a policy, so the university will not send additional materials.

The Center is establishing an office to handle intellectual properties and technology transfer. As part of the establishment, a policy has been drafted and will be implemented in the near future. Germplasm exchanges should begin shortly thereafter.

**Research Program:** A university was awarded a multimillion dollar research contract. The basis for this project was some genetic material which created insect resistance in certain tropical plants. Two years after the award was accepted, it was learned that the material had been borrowed from a researcher at another university. The MTA was a simple letter saying the researcher could use the materials, but that if the material was used to obtain research funds, the owner of the material was to be included. The owner had not been included in the project! The owner threatened to withdraw permission for use of the material. Negotiations were started and resulted in the university being able to continue the use of the material if certain penalties were accepted.

The MTA should have been reviewed by an authorized representative who would have made certain that all conditions of the MTA were followed.

## Tools used to help manage material transfers

Review, negotiation and acceptance of a MTA can be done on an individual basis. However, if one expects that through the use of borrowed material to produce something that can be of commercial or humanitarian use, then one should work closely with the one using the borrowed materials. At Michigan, State University in East Lansing, Michigan the individual reviewing and accepting MTAs has developed a form that the scientist needs to complete. The information requested on the form (see below) is reviewed before the MTA is accepted. The information guides the MTA reviewer in knowing how to conduct the review. For example, if the scientist expects to develop a commercial product, then the MTA must allow for commercialization to occur if the scientist is successful in developing a product. The reviewer would negotiate either for the unrestricted use of the borrowed material or for appropriate licensing terms.

A series of forms, biotechnology audit forms, were developed by the author to use to follow the progress of a scientist's efforts when using borrowed materials. These forms would allow the organization's reviewer to obtain critical information throughout the time the scientist is using the material and will know if and when the scientist is successful in his/her research and most importantly, if the product can be utilized for commercial or humanitarian terms. The Biotechnology Audit Form would be completed by the scientist and the reviewer to provide a complete record of the project. The reviewer can use the information from the Biotechnology Audit Form to complete the Biotechnology Audit Form Review. This review would provide, along with other information, in-depth information concerning the patent status of the borrowed material. The reviewer would also know who is the appropriate contact person at the owner's organization should the scientist be successful in developing a new product. When contacting the owner's representative with the information from the scientist and the review, the reviewer will be able

to negotiate on a very knowledgeable base, and perhaps more importantly, on a very timely basis if the review has been completed prior to the development of a product. The third form, the Biotechnology Product Audit, requests information about the scientist's product. This information would also be needed prior to contacting the materials owner requesting permission to use the product for commercial or humanitarian purposes. By using the forms, the reviewer can have extended contact with the scientist and should not be surprised by results of the research. The scientist can also be advised of proper handling and other such matters concerning the borrowed materials.

## Michigan State University Material Transfer Agreement Questionnaire

(Developed by Ms. Janyth Sherman)

### MICHIGAN STATE UNIVERSITY OFFICE OF INTELLECTUAL PROPERTY

238 Administration Building

Telephone: 355-\*\*\*\* Fax: 432-\*\*\*\*

Material Transfer Agreement (MTA) Questionnaire

(Please attach this form to the MTA you wish to have signed)

**MSU Principal Investigator:**

**Department:**

**Telephone No.**

**Email Address:**

**Material Provider:**

**Name of Contact:**

**Address:**

**Telephone No.**

**Name/Type of Material:**

In order to appropriately evaluate the proposed MTA, please provide answers to the following questions. You may use additional sheets if you require more space for your answers.

1. a) What is the intended use of the Material?
- b) Will you be modifying (creating a new substance that contains or incorporates) the Material?  
YES NO If so, how? or Unsure
- c) Will any progeny, derivatives or modifications to the Material be produced (i.e., unmodified descendants from the Material, such as virus from virus, cell from cell, etc.)? YES NO or Unsure
- d) What is the original source of the Material?
- e) Do you intend to publish your findings? YES NO If so, are you willing to provide an advance copy of the paper to the Provider for review? YES NO
- f) Will students be using the Material? YES NO If so, will this work be part of a thesis? YES NO
- g) Is the Material known to be toxic? YES NO

2. Have you received the Material already? YES NO If so, when? Will the Material be used in any research project funded by the federal government? YES NO If so, please provide the departments(s) or agency(s) and the applicable account or grant number:
3. Will the Material be used in any research project, which is funded by industrial or foundational sponsors? (Note: Please include funding sources for those students and/or post-docs who will be working on the research). YES NO If so, please provide the sponsor(s) name(s) and applicable account or grant number:
4. Will the Material be used in conjunction with other Materials from other parties? YES NO If so, what are these other Materials and who provided them?
5. Were Material Transfer Agreements (MTA's) signed for these other Materials? YES NO
6. Is the Material sold commercially? YES NO If so, what would the amount of Material you are requesting cost? Is the Material available from another source? YES NO If so, from whom?

Feel free to add any additional information that you believe to be pertinent. Once you have completed this Questionnaire, please sign it below and return it together with the MTA to the:

Office of Intellectual Property

Attn: Material Transfer Agreement

238 Administration Building

Thank you for your cooperation in completing this Questionnaire.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Faculty: \_\_\_\_\_

## Biotechnology Audit Forms

### BIOTECHNOLOGY AUDIT FORM

Project title:

Project P.I.:

Institution:

Partner Institutions:

Cooperative Agreement attached: yes \_\_\_\_\_ no \_\_\_\_\_

Sponsor(s):

Sponsor(s) Research Agreement attached: yes \_\_\_\_\_ no \_\_\_\_\_

Name of proprietary material, process or method:

Brief non-technical description of proprietary material, process or method:

Owner and supplier of proprietary material, process or method:

Material Transfer Agreement from owner and/or supplier attached: yes\_\_\_\_\_ no\_\_\_\_\_

Provide literature citation if possible: year\_\_\_\_\_, author(s)\_\_\_\_\_,  
title\_\_\_\_\_, journal or  
book\_\_\_\_\_, volume\_\_\_\_\_, pages\_\_\_\_\_.

Brief non-technical description of use of proprietary material, process or method in this project:

Is this proprietary material, process or method to be used with other proprietary materials, processes or methods?: yes\_\_\_\_\_ no\_\_\_\_\_ If "yes" list other proprietary materials, processes or methods:

Have Biotechnology Audit Forms been completed for these other proprietary materials, processes or methods: yes\_\_\_\_\_ no\_\_\_\_\_

Expected result from using the proprietary material, process or method:

## BIOTECHNOLOGY AUDIT FORM REVIEW

Project Title:

Project P.I.:

Proprietary material, process or method:

Patent status (list countries and year patented):

Copyright and/or Trademark status (list countries and year):

Owner of proprietary material, process or method:

Owner contact person:

1. Name:
2. Address:
3. Phone number:
4. Fax number:
5. E-mail address

Material Transfer Agreement restrictions:

Research Agreement restrictions:

Cooperative Agreement restrictions:

Institutional restrictions:

Potential for commercialization using the proprietary material, process or method:

1. In country of expected use:
2. Other countries:

Was the situation discussed with the P.I.?: yes\_\_\_\_\_ no\_\_\_\_\_

Outcome of discussion(s):

Other:

## BIOTECHNOLOGY PRODUCT AUDIT

Project title:

Project P.I.:

Sponsor:

Describe Product:

List any and all proprietary materials included in Product and proprietary processes/methods used to make Product:

Proprietary materials/processes/methods

Biotechnology Audit Form completed

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Describe briefly the potential commercial use of Product:

List countries, if possible, where Product might be used commercially:

## Homework

- A. **Agreement review:** Knowing what items should and should not be in an agreement is important, but equally as important is being able to read terms to detect items for rejection or negotiation. This portion of the exercise will provide term review and rewriting experience. Below are paragraphs that may or may not be acceptable under the conditions of an organization's policies and/or country's laws. Review each paragraph to determine if it is acceptable according to the conditions of the organization. If the paragraph is unacceptable suggest how it could be changed to meet the requirements of the organization. Comments and suggested rewrites follow the next homework section.

The policy of the organization states 1) that all new intellectual properties developed by an employee will be the property of the organization, 2) the ownership of the organization's intellectual property remains the property of the organization, 3) the right to publish is reserved for all scientists, and 4) no one, regardless of nationality, is to be excluded from a research project.

- a. All intellectual property directly arising from work undertaken for Project creating new material ("Foreground") shall remain the property of the Sponsor during the Term and thereafter. Acceptable \_\_\_\_\_yes \_\_\_\_\_no
- b. You and your institution hereby expressly agree to grant Sponsor an exclusive, worldwide license to exploit for any purpose, including commercial purposes, your and your institution's rights in any invention, know-how, or other proprietary technology which is conceived or reduced to practice in the course of research using the Research Material(s) provided hereunder and which relates to the Research Material(s), such license to be granted under commercially reasonable terms, provided that the consideration for such license shall not exceed a royalty of 2% of net sales of products that are covered by the claim(s) of any valid patent(s) covering such invention, know-how, or other proprietary technology.  
  
Acceptable \_\_\_\_\_yes \_\_\_\_\_no
- c. Excerpts from a Material Transfer Agreement which is titled "Research Sublicense Agreement".

- 1.2 "Biological Materials" shall mean the biological material described in Exhibit A attached hereto, including progeny, substances or products contained therein, derivatives or semi-synthetic analogues thereof, and analogues therefrom.
- 1.5 "Improvements" shall mean all modifications, revisions, improvements, derivations and versions of the Biological Material and/or Licensed Patents.

- 2.1 Grant of License. COMPANY hereby grants to ORGANIZATION the nonexclusive right and license to practice for research purposes only and not for commercial purposes the Licensed Patents and Technical Information in the Licensed Field in the Research Project at the Licensed Location. ORGANIZATION shall not commercially exploit, nor license any third party to commercially exploit, the Licensed Patents or Technical Information.
- 2.7 Location of Use. The Biological Material shall be used only at the Licensed Location. ORGANIZATION agrees that no one shall be allowed to take or send the Biological Material to any other location without the prior written consent of COMPANY.
- 4.1 Rights to Improvements. The rights to any Improvements first conceived or first reduced to practice by ORGANIZATION shall belong to COMPANY.
- 4.2 Disclosure of Improvements. ORGANIZATION shall require each of its employees, including but not limited to the Principal Investigator, who perform research utilizing the Licensed Patents and Technical Information to disclose to ORGANIZATION, in writing, the particulars of each potential Improvement of which they become aware prior to public disclosure. ORGANIZATION shall promptly provide COMPANY with a copy of each invention disclosure for COMPANY's evaluation.
- 4.3 Assignment of Rights. ORGANIZATION shall assign, and shall cause its employees, including but not limited to the Principal Investigator, to assign, to COMPANY all right, title and interest to any and all Improvements. ORGANIZATION agrees to perform any acts and execute, at COMPANY's expense, any and all papers and instruments which COMPANY considers reasonably necessary to perfect and protect COMPANY's right, title and interest in and to all Improvements.
- 5.1 Rights to Patentable Inventions. Except as otherwise provided in Paragraph 4.1, the rights to any Patentable Inventions arising out of the Research Project first conceived or first reduced to practice by ORGANIZATION shall belong to ORGANIZATION.
- 5.2 Disclosure of Patentable Inventions. ORGANIZATION shall require each of its employees, including but not limited to the Principal Investigator, who perform research utilizing the Licensed Patents and Technical Information to disclose to ORGANIZATION, in writing, the particulars of each potential Patentable Invention of which they have become aware prior to public disclosure. ORGANIZATION shall promptly provide COMPANY with a copy of each invention disclosure for COMPANY's evaluation.
- 5.3 License to COMPANY. ORGANIZATION shall grant to COMPANY, a nonexclusive, royalty-free license to any Patentable Inventions arising out of the Research Project, with the right to sublicense.
- 7.4 Return of Confidential Information. Within thirty (30) days following the termination of this Agreement, ORGANIZATION shall return the Technical Information, including but not limited to the Biological Material, to COMPANY, or if requested by COMPANY, destroy the Technical Information in a manner acceptable to COMPANY. *(Please note that this is the only Paragraph which stipulated return of confidential materials)*

11.4 Governing Law. This Agreement shall be governed by, construed and interpreted in accordance with the laws of the State of Illinois, United States of America, excluding any choice of law rules which may direct the application of the laws of any other jurisdiction.

- d. Excerpts from a Material Transfer Agreement – COMPANY only supplies a sample, there are no research funds made available to ORGANIZATION.
1. The confidential information, data and samples shall be used for purposes of evaluation only. Commercial use of such information shall be subject of future negotiation.
  2. Obligations of confidence and non-use shall terminate when such information becomes part of the public domain through no fault of the receiving party or is received by either party in good faith from a third party having a bona fide right to disclose such information, data or samples.
  3. Both parties further agree not to disclose the information obtained under this Agreement, or further sample the materials under this Agreement, to third parties outside Arab Republic of Egypt without the prior written permission of the disclosing party. Third parties for the purposes of this Paragraph includes any foreign person or entity, even though such foreign person or entity may be directly associated with, or a subsidiary of, or employed by the receiving party.
  4. ORGANIZATION agrees that if during the period of this Agreement, ORGANIZATION makes a discovery or invention, or produces any copyrighted materials arising out of the work paid for by COMPANY, ORGANIZATION will promptly make the fact of such discovery, invention or copyrighted material known to COMPANY. ORGANIZATION further agrees to assign to COMPANY all rights ORGANIZATION may have or may assert to such invention, discovery or copyrighted material. Any application for letters patent shall be made at the option of the COMPANY and it is mutually agreed that any and all expenses in connection with the preparation, filing, prosecution, assignment and recording of such application will be paid by COMPANY.
  5. Except for obligations of confidence, non-use, non-analysis and disclosure this Agreement shall terminate two (2) years from the date of this document.

**B. Review of laws, policies and customs affecting MTAs in the participant’s country and organization. For this part of the exercise use the Sample Material Transfer Agreement.**

- a. List any laws of your country that would impact the MTA.
- b. List any organizational policies that would impact the MTA.
- c. List any customs (country, regional, and/or organizational) that would impact the MTA.

- d. Using the sample MTA, the one with numbered paragraphs, list the terms/conditions impacted by the laws (a), organizational policies (b) and customs (c).
- e. Using the sample MTA rewrite each impacted term/condition so it complies with laws, organizational policy and customs.
- f. Prepare a “model” MTA for use by your organization that can serve as a base for “loaning” material or as a base for “borrowing” material.

**C. Responses for Part A, review of agreement paragraphs.**

- a. Not acceptable. It could be rejected or written as follows: All intellectual property directly arising from work undertaken for Project creating new material (“Foreground”) shall become the property of the Research Organization during the Term and thereafter. Sponsor shall have a one year exclusive option to negotiate an exclusive license to any new materials developed hereunder.
- b. Marginally acceptable. This would need to be discussed with supervisors to determine if exceptions would be made to accept the limitation to royalties. The organization needs to add a sentence that reserves the right to continued use of the materials by the organization. This sentence would read: The Sponsor grants to you and your institution the right to use such licensed materials for research and other such purposes.

**D. Excerpts from a Material Transfer Agreement which is titled “Research Sublicense Agreement”.**

- i. Non-problem paragraphs are 1.2, 1.5, 2.1, 2.7, 4.2, 5.1 and 5.2. All other paragraphs are questionable or have problems.
- ii. Paragraph 4.1 The Company owns improvements to their material. Will you allow this even though your policy says you own all? I would agree with the Company because the Company will never let us use the material if we don’t agree to their language. Usually your researcher will only use the material, not modify it. Inventions will come from the use of the material which are yours (Paragraph 5.1). Sometimes you can negotiate for ownership, but usually not.
- iii. Paragraph 4.3 Organization employees are required to assign their rights to the Company. The policy says they must assign their rights to the Organization. So this needs to be rewritten so the employees assign their rights to the Organization and the Organization assigns these rights to the Company. This change is usually easy to negotiate.

***Here is the rewrite:***

4.3.1 Assignment of Rights. ORGANIZATION shall assign, and shall cause its employees, including but not limited to the Principal Investigator, to assign, to ORGANIZATION all right, title and interest to any and all Improvements. ORGANIZATION agrees to assign such rights to COMPANY. ORGANIZATION agrees to perform any acts and execute, at COMPANY’s expense, any and all

*papers and instruments which COMPANY considers reasonably necessary to perfect and protect COMPANY's right, title and interest in and to all Improvements.*

- iv. Paragraph 5.3 The Company wants a license to Organization's patentable inventions, in this case a nonexclusive license, and they want it for free. Plus, they want to be able to sublicense to others. Bad deal for the Organization. You can give them a nonexclusive, royalty-free license for research purposes. If they want a license where they can sublicense, they will need a royalty-bearing exclusive license. This may be difficult to negotiate.*

**Here is the rewrite:**

*5.3.1 License to COMPANY. ORGANIZATION shall grant to COMPANY, a nonexclusive, royalty-free license to any Patentable Inventions arising out of the Research Project for research purposes only. ORGANIZATION hereby grants to COMPANY, an exclusive option at COMPANY's sole election, to negotiate for either (a) a nonexclusive, royalty-bearing license use ORGANIZATION's Patentable Inventions for any purpose, or (b) an exclusive royalty-bearing license with a right to sublicense ORGANIZATION's Patentable Inventions.*

- v. Paragraph 7.4 Organization is required to return Company's Technical Information, but nothing is said about returning any proprietary information of the Organization. The Organization may have shared some of its proprietary information, especially of an invention was made by the Organization. So, this Paragraph should be modified that both parties proprietary information is returned. This should be easy to negotiate.*

**Here is the rewrite:**

*7.4 Return of Confidential Information. Within thirty (30) days following the termination of this Agreement, ORGANIZATION shall return the Technical Information, including but not limited to the Biological Material, to COMPANY, or if requested by COMPANY, destroy the Technical Information in a manner acceptable to COMPANY. COMPANY shall return any ORGANIZATION proprietary information including invention disclosures or reports containing such information within thirty (30) days of termination of this Agreement.*

- vi. Paragraph 11.4 Actually this Paragraph is good, but since you may be from another country you might want to renegotiate this to have a law source (court) that is more easily reached. This could be very hard to negotiate. You should be able to rewrite this one, just put in the new country.*

There are a number of other important items brought out in this Agreement. One that isn't listed here is that only the Principal Investigator can use the material. Can you find any other important items in the material presented here and would you discuss these items with the Principal Investigator?

**Other important items:**

1. The material is to be used for research only.
2. The material can only be used in the field of research that has patent coverage, which should be defined somewhere in the Agreement.
3. The location where the material can be used is very specific. The material can only be used in the laboratory assigned for this project.
4. The material cannot be given to a third party, not even to someone in your organization. The only person(s) who can use this material in the assigned laboratory are those who have been approved before the material was sent.
5. Excerpts from a Material Transfer Agreement – COMPANY only supplies a sample, there are no research funds made available to ORGANIZATION.
  - i. Paragraph 1 is good.
  - ii. Paragraph 2 is a problem because there is no termination date. Who knows when any of the proprietary information will become public. The Paragraph should be changed so a termination date is in place.

***Here is the rewrite:***

2. *Obligations of confidence and non-use shall terminate either when such information becomes part of the public domain through no fault of the receiving party or is received by either party in good faith from a third party having a bona fide right to disclose such information, data or samples, or three (3) years from the effective date of this Agreement, whichever occurs first.*
- iii. Paragraph 3 is a big problem. The policy says anyone can participate on a research project, but the Agreement says only Egyptians can use the material. This one will be hard to negotiate. I have been successful in getting this changed and I've also failed. When I failed, the Agreement was not accepted.

***Here's the rewrite:***

Actually I wouldn't rewrite it. I would have it deleted.

- iv. Paragraph 4 appears to be a big problem because the ownership of any and everything is to go to the Company. But this isn't the problem with this Paragraph. The problem is in the words "out of the work paid for". There was no exchange of money, the Company didn't pay for anything, so this Paragraph is meaningless. It was deleted. This brings out another problem with agreements in that sometimes the wrong terms are put into the agreement, so when reading an agreement look out for "wrong" terms.
- v. This Paragraph is fine, but it is a little confusing because it does not define the obligations of confidence. There should be some clarification of the various obligations. Perhaps one could use paragraphs in the agreement and include Paragraph numbers in parentheses after each listing, for example "obligations of confidence (2), non-use, ---".

*The author again wishes to emphasize that the agreements presented in this Workbook are approved for use in the United States only and should not be used as presented here in any other country. Intellectual Property laws vary throughout the world and terms in an agreement acceptable in the United States may not be acceptable elsewhere. It is very important for each type of agreement to be in accordance with the laws of the country in which the agreement is to be used. It is also important for every agreement to be reviewed and approved by an attorney knowledgeable in intellectual property matters.*

# Chapter 5

## Research Agreements

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### Introduction

Often funds supporting research projects are received from sources other than the home institution. Funds can be supplied by government agencies, industry, foundations and other similar sources. Seldom is the money just given to an organization without some stipulations on the use of the funds. These stipulations form a contractual or legal base between the sponsor and recipient organization, the Research Agreement. The Research Agreement has a number of terms relating to the research being undertaken and the manner in which the funds can be used, as well as terms related to intellectual properties.

### Objectives of Exercise

The objectives of this chapter are several fold. These objectives are: 1) to illustrate the importance of properly worded intellectual property clauses in a Research Agreement, 2) to describe the major intellectual property components of a Research Agreement, 3) to provide a means of reviewing these components, and 4) to allow each participant the means to modify the intellectual property portions of a Research Agreement to meet the requirements and needs of their country/organization.

### Definitions/Description

The Research Agreement is a legal instrument, which allows someone or some organization to sponsor research at another organization under defined terms and conditions. It is a contract binding both the sponsor and the recipient. The Research Agreement can be simple and short or it can be quite complex, detailed and long. The type of Research Agreement used depends on the sponsor, but whether short or long, simple or complex the basic terms will be quite similar.

### Discussion and Summary

In order to conduct a research program monetary support is needed. In some cases these funds are available from the organization itself. But, in many cases the funds come from outside agencies. Funds from outside the organization can come in two forms; either as a gift or under a contract. Gift funds should have no conditions attached to them. The research that is done is strictly under the control of the scientist conducting the project and all results, innovations, etc. belong to the organization and the organization can do as it wishes with these items.

On the other hand, the monies under contract may carry many stipulations. The funding source may specify, for example, the research to be carried out, the time period for conducting it, how the results are to be handled, publication, and handling of innovations. Before the research funds are made available the recipient organization must sign a contract, the Research Agreement, agreeing to all these conditions. Therefore, it is necessary to review any Research Agreement very carefully to be sure all the conditions

can be met and they do not violate the recipient organization's policies. The Research Agreement of this exercise can serve as a model for reviewing other research contracts.

Also, if an organization provides research funding to another organization the money transfer should be done under contract so there can be an accounting of funds spent and research carried out. The Research Agreement included with this exercise could be used, with some modification, as a contract for funding research.

The review of the included Research Agreement only discussed intellectual property matters. The Agreement covers much more than this and all of these other items must be reviewed closely too. For example, one needs to know if the research can be completed within the time period allotted. If this period is too short it will be necessary to ask for a change in the time period. Another example; if equipment is purchased with the research monies, who owns it at the completion of the project? The organization's policies will guide the organization in reviewing the Research Agreement and negotiating any changes.

## Details/Specifics

A number of basic/common terms and conditions related to intellectual properties used in a Research Agreement are given below. For most of these terms and conditions a sample statement is provided.

1. **Parties:** The Research Agreement must carefully list the sponsor and recipient organizations and their addresses. In some cases the Research Agreement will include the names and specific addresses of the individuals who are authorized from each organization to handle the negotiation and signing of the Research Agreement. Many times the effective date of the Research Agreement, the date that all parties agreed to the terms of the Research Agreement, is listed with the Parties term.

***THIS AGREEMENT** is effective this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between \_\_\_\_\_, with an office at \_\_\_\_\_ (hereinafter "Recipient") and \_\_\_\_\_ with an office at \_\_\_\_\_ (hereinafter "Sponsor").*

2. **Effective Date:** This is the date that both parties agreed to is the starting date of the research project under the terms of the Research Agreement.

*"Contract Period" will be the period, beginning \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_, renewable in accordance with the terms hereof, unless earlier terminated pursuant to this Agreement.*

*IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.*

3. **Term:** This is the period covered by the Research Agreement. Any innovations coming from the sponsored research during the term of the sponsored project will be subject to the terms of the Agreement. Innovations developed after the Term will belong solely to the research organization, provided the research organization has evidence showing the innovation occurred after the Term.

*"Contract Period" will be the period, beginning \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_, renewable in accordance with the terms hereof, unless earlier terminated pursuant to this Agreement.*

4. **Intellectual Property Ownership and Handling:** There maybe several clauses covering this topic area. The organization's policy is important in determining the extent of ownership. Ownership of organization's innovations generally is with the organization. If this is the case, the organization can make arrangements for the sponsor to obtain a commercial license to any innovation developed in the project it funds. If ownership rests with the sponsor, the organization must obtain a non-exclusive, royalty-free license to continue to use the innovation in its non-commercial research. The organization should also strive to obtain some type of continuing award if the sponsor successfully commercializes the innovation.

*"Sponsor Intellectual Property" shall mean individually and collectively all inventions, improvements or discoveries, whether or not patentable or copyrightable, which are conceived or made solely by one or more employees of Sponsor in performance of the Project during the Contract Period.*

*"Joint Intellectual Property" shall mean individually and collectively all inventions, improvements and discoveries, whether or not patentable or copyrightable, which are conceived and reduced to practice jointly by one or more employees of each Party during the term of this Agreement.*

*"Recipient Intellectual Property" shall mean individually and collectively all inventions, improvements or discoveries, whether or not patentable or copyrightable, which are conceived or made solely by one or more employees of Recipient in performance of the Project during the Contract Period.*

Handling of intellectual properties includes the reporting of innovations, seeking legal protection and licensing. The Research Agreement should contain information on who, recipient or sponsor, seeks protection, selection of a firm to assist with the protection and subsequent review of all associated legal papers. Also included would be the conditions of licensing to the sponsor both for non-commercial and commercial purposes.

*Inventorship shall be determined under \_\_\_\_\_ patent laws.*

*All rights and title to Recipient Intellectual Property created pursuant to the Project shall belong to Recipient and shall be subject to the terms and conditions of this Agreement.*

*All rights and title to Joint Intellectual Property created pursuant to a Project shall belong jointly to Sponsor and Recipient and shall be subject to the terms and conditions of this Agreement.*

*Rights to inventions, improvements and discoveries, whether or not patentable or copyrightable, relating to a Project made solely by employees of Sponsor shall belong to Sponsor. Such inventions, improvements, and discoveries shall not be subject to the terms and conditions of this Agreement.*

*Recipient will promptly notify Sponsor of any Recipient Intellectual Property. If Sponsor directs Recipient to file a patent application hereunder or desires to maintain its right to exercise either option (a) or (b) of Section 8.2 below, Sponsor shall retain an independent law firm reasonably acceptable to Recipient to promptly prepare, file and prosecute such patent*

*applications in Recipient's name and shall bear all costs incurred in connection with such preparation, filing, prosecution, and maintenance of patent application(s) for as long as Sponsor retains or exercises its option rights under Section 8. Sponsor and Recipient shall cooperate to assure that such application(s) will cover, to the best of Sponsor's knowledge, all items of commercial interest and importance. While Sponsor shall be responsible for making the day to day decisions regarding the prosecution of such patent applications, the parties must mutually agree on all material decisions regarding the scope and content of application(s) to be filed and prosecution thereof. Sponsor shall promptly supply to Recipient, at Recipient's request, copies of all papers received and filed in connection with the prosecution thereof in sufficient time for Recipient to comment thereon.*

*Each party will promptly notify the other when Joint Intellectual Property is created. Sponsor shall have the right, at its option and expense, and through patent attorneys or agents of its choice, to make all decisions with respect to, and to otherwise control the preparation, filing and prosecution (including any proceedings relating to reissues, reexaminations, protests, interferences, and requests for patent extensions or supplementary protection certificates) of any patent application with respect to any Joint Intellectual Property and to maintain any patents issuing therefrom.*

*Sponsor shall ensure that patent attorneys or agents are able and agree not to take any action which would discriminate in favor of Sponsor's interest in Recipient Intellectual Property or Joint Intellectual Property to the detriment of Recipient's interests in Recipient Intellectual Property and Joint Intellectual Property in all patent decisions and actions taken pursuant to sections 7.5 and 7.6 above. Sponsor shall not retain patent attorneys or agents if such representatives pose a conflict of interest with respect to the Recipient's rights in Recipient Intellectual Property and Joint Intellectual Property.*

*If Sponsor elects not to exercise its option as described in Section 8.2 below or either party decides to discontinue or refrain from providing the financial support for the prosecution or maintenance of patents or patent applications claiming Recipient Intellectual Property or Joint Intellectual Property, such party shall be deemed to have irrevocably assigned its rights in such patents and patent applications to the other party and such other party shall be free to file or continue prosecution or maintain any such application(s) and to maintain any protection issuing thereon in any country at such other party's sole expense and all rights in the applicable patent or patent applications shall be transferred to such other party.*

*Recipient hereby grants Sponsor a royalty-free, non-exclusive license to use Recipient Intellectual Property within its own organization.*

*Recipient hereby grants to Sponsor, an exclusive option at Sponsor's sole election, to negotiate for either (a) a non-exclusive, royalty-bearing license to use Recipient Intellectual Property for any purpose, (b) an exclusive royalty-bearing license with a right to sublicense to Recipient Intellectual Property or (c) an exclusive license to Recipient's interest in any Joint Intellectual Property. Terms and conditions of these licenses are to be negotiated in good faith and agreed upon between Recipient and Sponsor. Sponsor shall notify Recipient by written notice within 180 days of (I) receiving Recipient's written notice of the generation of a Recipient Intellectual Property, or (II) in the case of Joint Intellectual Property, agreement of the parties as to the generation of Joint Intellectual Property, whether Sponsor elects to exercise the Option. If Sponsor either (i) elects not to exercise its option or (ii) fails to provide*

*written notice within such 180 day period, then Sponsor shall automatically be deemed to have relinquished any rights it may have to any license described in this Section. If Sponsor provides Recipient written notice of its exercise of the Option, the parties shall exclusively negotiate in good faith, for a period of 180 days, a license to the applicable Recipient Intellectual Property or Joint Intellectual Property on terms consistent with the terms of this paragraph. If, after good faith negotiations, no agreement is reached by the parties within such 180 day period, Recipient shall be free to enter into a license with any third party for any Recipient Intellectual Property subject to Sponsor's use right in Section 8.1 and to license its rights in such Joint Intellectual Property.*

*In the event that Sponsor acquires an exclusive license or right under subsections 8.2 of this Article, the Recipient will retain the right to continue to use any Recipient Intellectual Property and Joint Intellectual Property within the Recipient for research purposes.*

5. **Publication:** Because new ideas or innovations may result from the sponsored research, the sponsor will often try to restrict publication by the organization. The organization's policy will determine if publication restrictions are allowed. Usually the recipient organization will insist on publication rights, but at the same time will grant certain review rights to the sponsor. The organization generally agrees to delay publication if a protectable innovation is described in the manuscript. The inclusion of an innovation in a manuscript could be one that the researcher had not recognized during the research project or only became evident when the information was put together in the manuscript.

*Sponsor recognizes that the results of a Project achieved by Recipient may be publishable and agrees that researchers at Recipient engaged in the Project shall be permitted to present at symposia, national, or regional professional meetings, and to publish in journals, or otherwise of their own choosing, methods and results of such Project, provided, however, that Sponsor shall have been furnished copies of any proposed publication or presentation at least one month in advance of the submission of such proposed publication or presentation to a journal, editor, or other third party. Sponsor shall have one month after receipt of said copies, to object to such proposed presentation or proposed publication because there is patentable subject matter, which needs protection, or there is proprietary confidential information of Sponsor in such publication or presentation. In the event that Sponsor makes such objection, said researcher(s) shall refrain from making such publication or presentation for a maximum of four months from date of receipt of such objection in order for Recipient to file patent application(s) directed to the patentable subject matter contained in the proposed publication or presentation. It is understood that the Sponsor may wish to be credited in the publication or publish with the Recipient, as it is appropriate. No such publication shall contain any confidential information of Sponsor, or any results of any Project obtained by Sponsor other than from the Recipient.*

6. **Reports:** The sponsor will usually require periodic reports of research progress. It is important that both parties realize that the reports may contain confidential or proprietary information and that this information needs to be protected. Disclosure of this information to outside parties could result in innovations becoming public property and become unprotectable.

*Written program reports describing the results of the applicable Project to date and information regarding the current status and future activities to be undertaken as part of such*

*Project shall be provided by Recipient to Sponsor as required by the applicable Project Proposal, provided that such reports shall in no event be delivered less frequently than quarterly.*

7. **Confidentiality:** Terms for confidentiality should be included in the Research Agreement. The standard exceptions and a time limitation on confidentiality need to be included. The terms for confidentiality need to apply to written as well as oral information. Visitors from the sponsor must be under confidentiality conditions as well as the organization' researchers when they visit the company.

*During discussions leading up to this Agreement, and during the course of performing the Project, it is anticipated that Recipient and Sponsor will learn confidential and/or proprietary information of the other. Parties will keep confidential, and not use, except in connection with the performance of the sponsored research hereunder, any information which is provided in writing and marked as confidential by either party, or if disclosed orally, described in a writing within 30 days after disclosure, including without limitation any information which relates to sponsored research to be performed under this Agreement, any information which either party may acquire with respect to the other party's business, and any information relating to new products, customers, pricing, know-how, processes, and practices, ("Confidential Information.") The obligations of confidentiality and non-use of Confidential Information shall survive the termination or expiration of this Agreement for a period of five years, unless or until:*

- (a) such information shall become known to third parties or shall become publicly known through no fault of Recipient, or*
- (b) such information was already in a party's possession, as evidenced by written documentation prior to the disclosure of such information to the informing party, or*
- (c) such information shall be subsequently disclosed to either party on a non-confidential basis by a third party who, to the best of the receiving party's knowledge, is not under any obligation of confidentiality.*
- (d) such information is specifically authorized by the informing party, in writing, to be disclosed.*
- (e) such information is required to be disclosed by applicable law or order of a court of competent jurisdiction in which case the disclosing party agrees to notify the other party of such requirement so that party may take steps to narrow or avoid disclosure.*

*During the term of this Agreement, representatives of Recipient may meet with representatives of Sponsor at times and places mutually agreed upon to discuss the progress and results as well as ongoing plans, or changes therein, of each Project.*

*During the term of this Agreement, Recipient agrees to permit representatives of Sponsor to examine at any reasonable time during normal business hours (i) the facilities where the Project is being conducted, (ii) associated raw research data and (iii) any other relevant information (and to make copies) necessary for the Sponsor to confirm that such Projects are*

*being conducted in conformance with the applicable Project Proposal and in compliance with applicable laws and regulations.*

8. **Governing law:** The organization preparing a Research Agreement will have the Agreement under the control of its country's laws. This means that if there is a legal dispute or a problem caused by a breach of the Research Agreement, the law applied to the dispute or breach would be the Governing Law. An Egyptian organization would have the laws of Egypt apply to the Research Agreement it writes, while if an organization in the United States wrote the Agreement, it would have its law apply to the Agreement. The recipient organization must abide by the sponsor's laws; so one receiving support from the Egyptian organization would be governed by Egyptian law if there were a problem. The recipient has little chance in changing the governing law clause, except, it may be possible to negotiate for a neutral country's laws to apply to the Research Agreement.

*This Agreement shall be governed and construed in accordance with the laws of*  
\_\_\_\_\_.

## Sample Research Agreement

**THIS AGREEMENT** is effective this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between \_\_\_\_\_, with an office at \_\_\_\_\_ (hereinafter "Recipient") and \_\_\_\_\_ with an office at \_\_\_\_\_ (hereinafter "Sponsor").

**WHEREAS**, the parties desire to conduct certain research programs of mutual interest to the parties; and

**WHEREAS**, such research programs may further the research objectives of Sponsor in a manner consistent with its status as a \_\_\_\_\_ institution, and may derive benefits for both Recipient and Sponsor through inventions, improvements or discoveries;

**NOW, THEREFORE**, in consideration of the promises and mutual covenants herein contained, the parties hereto agree to the following:

### ARTICLE 1 - DEFINITIONS

As used herein, the following terms shall have the following meanings:

- 1.1. "Project" shall mean a project described in a fully executed Project Proposal.
- 1.2. "Project Proposal" shall mean a research proposal which is attached hereto and incorporated herein by reference.
- 1.3. "Contract Period" will be the period, beginning \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_, renewable in accordance with the terms hereof, unless earlier terminated pursuant to this Agreement.
- 1.4. "Sponsor Intellectual Property" shall mean individually and collectively all inventions, improvements or discoveries, whether or not patentable or copyrightable, which are conceived or made solely by one or more employees of Sponsor in performance of the Project during the Contract Period.
- 1.5. "Joint Intellectual Property" shall mean individually and collectively all inventions, improvements and discoveries, whether or not patentable or copyrightable, which are conceived and reduced to practice jointly by one or more employees of each Party during the term of this Agreement.
- 1.6. "Recipient Intellectual Property" shall mean individually and collectively all inventions, improvements or discoveries, whether or not patentable or copyrightable, which are conceived or made solely by one or more employees of Recipient in performance of the Project during the Contract Period.

### ARTICLE 2 - RESEARCH WORK

- 2.1. Recipient shall perform each Project in accordance with the terms and conditions of this Agreement.

- 2.2. In the event that the applicable Project Director ceases to direct the associated Project and a mutually acceptable substitute is not found within 90 (ninety) days of such cessation, either Recipient or Sponsor shall have the option to terminate said Project.

### **ARTICLE 3 - REPORTS AND CONFERENCES**

- 3.1. Written program reports describing the results of the applicable Project to date and information regarding the current status and future activities to be undertaken as part of such Project shall be provided by Recipient to Sponsor as required by the applicable Project Proposal, provided that such reports shall in no event be delivered less frequently than quarterly.
- 3.2. During the term of this Agreement, representatives of Recipient may meet with representatives of Sponsor at times and places mutually agreed upon to discuss the progress and results as well as ongoing plans, or changes therein, of each Project.
- 3.3. During the term of this Agreement, Recipient agrees to permit representatives of Sponsor to examine at any reasonable time during normal business hours (i) the facilities where the Project is being conducted, (ii) associated raw research data and (iii) any other relevant information (and to make copies) necessary for the Sponsor to confirm that such Projects are being conducted in conformance with the applicable Project Proposal and in compliance with applicable laws and regulations.

### **ARTICLE 4 - COSTS, BILLINGS, AND OTHER SUPPORT**

- 4.1. It is agreed that total costs to Sponsor for any Project hereunder shall not exceed the sum set forth in the applicable Project Proposal. Payment shall be made by Sponsor within thirty (30) days of receipt of monthly invoices for actual charges incurred by the Recipient in performance of the applicable Project provided that Recipient is not in breach of this Agreement.
- 4.2. Recipient shall retain title to any equipment necessary for the conduct of a Project, purchased pursuant to a signed Project Proposal with funds provided by Sponsor under this Agreement.
- 4.3. In the event of early termination of this Agreement by Sponsor pursuant to this Agreement other than for breach of this Agreement, Sponsor shall pay all costs accrued by Recipient as of the date of termination, including but not limited to reasonable non-cancelable obligations incurred prior to the effective date of termination made pursuant to a fully executed Project Proposal. The Project Proposal shall set forth a budget for travel and other out-of-pocket expenses to be incurred pursuant to the applicable Project

### **ARTICLE 5 - PUBLICITY**

Sponsor will not use the name of Recipient, nor of any member of Recipient's Project staff, in any publicity, marketing, advertising or news release without the prior written approval of an authorized representative of Recipient. Recipient will not use the name of Sponsor, or any employee of Sponsor, in any publicity, advertising or news release without the prior written approval of Sponsor. Nothing herein shall restrict the Recipient's or Sponsor's right to disclose the existence of this Agreement, the identity of the parties, and the nature and scope of the Project.

**ARTICLE 6 - PUBLICATIONS**

Sponsor recognizes that the results of a Project achieved by Recipient may be publishable and agrees that researchers at Recipient engaged in the Project shall be permitted to present at symposia, national, or regional professional meetings, and to publish in journals, or otherwise of their own choosing, methods and results of such Project, provided, however, that Sponsor shall have been furnished copies of any proposed publication or presentation at least one month in advance of the submission of such proposed publication or presentation to a journal, editor, or other third party. Sponsor shall have one month after receipt of said copies, to object to such proposed presentation or proposed publication because there is patentable subject matter, which needs protection, or there is proprietary confidential information of Sponsor in such publication or presentation. In the event that Sponsor makes such objection, said researcher(s) shall refrain from making such publication or presentation for a maximum of four months from date of receipt of such objection in order for Recipient to file patent application(s) directed to the patentable subject matter contained in the proposed publication or presentation. It is understood that the Sponsor may wish to be credited in the publication or publish with the Recipient, as it is appropriate. No such publication shall contain any confidential information of Sponsor, or any results of any Project obtained by Sponsor other than from the Recipient.

**ARTICLE 7 - INTELLECTUAL PROPERTY**

- 7.1. Inventorship shall be determined under \_\_\_\_\_ patent laws.
- 7.2. All rights and title to Recipient Intellectual Property created pursuant to the Project shall belong to Recipient and shall be subject to the terms and conditions of this Agreement. All rights and title to Joint Intellectual Property created pursuant to a Project shall belong jointly to Sponsor and Recipient and shall be subject to the terms and conditions of this Agreement.
- 7.3. Rights to inventions, improvements and discoveries, whether or not patentable or copyrightable, relating to a Project made solely by employees of Sponsor shall belong to Sponsor. Such inventions, improvements, and discoveries shall not be subject to the terms and conditions of this Agreement.
- 7.4. Recipient will promptly notify Sponsor of any Recipient Intellectual Property. If Sponsor directs Recipient to file a patent application hereunder or desires to maintain its right to exercise either option (a) or (b) of Section 8.2 below, Sponsor shall retain an independent law firm reasonably acceptable to Recipient to promptly prepare, file and prosecute such patent applications in Recipient's name and shall bear all costs incurred in connection with such preparation, filing, prosecution, and maintenance of patent application(s) for as long as Sponsor retains or exercises its option rights under Section 8. Sponsor and Recipient shall cooperate to assure that such application(s) will cover, to the best of Sponsor's knowledge, all items of commercial interest and importance. While Sponsor shall be responsible for making the day to day decisions regarding the prosecution of such patent applications, the parties must mutually agree on all material decisions regarding the scope and content of application(s) to be filed and prosecution thereof. Sponsor shall promptly supply to Recipient, at Recipient's request, copies of all papers received and filed in connection with the prosecution thereof in sufficient time for Recipient to comment thereon.
- 7.5. Each party will promptly notify the other when Joint Intellectual Property is created. Sponsor shall have the right, at its option and expense, and through patent attorneys or agents of its choice, to make all decisions with respect to, and to otherwise control the preparation, filing and prosecution (including any proceedings relating to reissues, reexaminations, protests, interferences, and requests for patent extensions or supplementary protection certificates) of any patent application with respect to any Joint Intellectual Property and to maintain any patents issuing therefrom.

- 7.6. Sponsor shall ensure that patent attorneys or agents are able and agree not to take any action which would discriminate in favor of Sponsor's interest in Recipient Intellectual Property or Joint Intellectual Property to the detriment of Recipient's interests in Recipient Intellectual Property and Joint Intellectual Property in all patent decisions and actions taken pursuant to sections 7.5 and 7.6 above. Sponsor shall not retain patent attorneys or agents if such representatives pose a conflict of interest with respect to the Recipient's rights in Recipient Intellectual Property and Joint Intellectual Property.
- 7.7. If Sponsor elects not to exercise its option as described in Section 8.2 below or either party decides to discontinue or refrain from providing the financial support for the prosecution or maintenance of patents or patent applications claiming Recipient Intellectual Property or Joint Intellectual Property, such party shall be deemed to have irrevocably assigned its rights in such patents and patent applications to the other party and such other party shall be free to file or continue prosecution or maintain any such application(s) and to maintain any protection issuing thereon in any country at such other party's sole expense and all rights in the applicable patent or patent applications shall be transferred to such other party.

#### **ARTICLE - 8 GRANT OF RIGHTS**

- 8.1. Recipient hereby grants Sponsor a royalty-free, non-exclusive license to use Recipient Intellectual Property within its own organization.
- 8.2. Recipient hereby grants to Sponsor, an exclusive option at Sponsor's sole election, to negotiate for either (a) a non-exclusive, royalty-bearing license to use Recipient Intellectual Property for any purpose, (b) an exclusive royalty-bearing license with a right to sublicense to Recipient Intellectual Property or (c) an exclusive license to Recipient's interest in any Joint Intellectual Property. Terms and conditions of these licenses are to be negotiated in good faith and agreed upon between Recipient and Sponsor. Sponsor shall notify Recipient by written notice within 180 days of (I) receiving Recipient's written notice of the generation of a Recipient Intellectual Property, or (II) in the case of Joint Intellectual Property, agreement of the parties as to the generation of Joint Intellectual Property, whether Sponsor elects to exercise the Option. If Sponsor either (i) elects not to exercise its option or (ii) fails to provide written notice within such 180 day period, then Sponsor shall automatically be deemed to have relinquished any rights it may have to any license described in this Section. If Sponsor provides Recipient written notice of its exercise of the Option, the parties shall exclusively negotiate in good faith, for a period of 180 days, a license to the applicable Recipient Intellectual Property or Joint Intellectual Property on terms consistent with the terms of this paragraph. If, after good faith negotiations, no agreement is reached by the parties within such 180 day period, Recipient shall be free to enter into a license with any third party for any Recipient Intellectual Property subject to Sponsor's use right in Section 8.1 and to license its rights in such Joint Intellectual Property.
- 8.3. In the event that Sponsor acquires an exclusive license or right under subsections 8.2 of this Article, the Recipient will retain the right to continue to use any Recipient Intellectual Property and Joint Intellectual Property within the Recipient for research purposes.

#### **ARTICLE 9 - CONFIDENTIALITY AND PUBLICITY**

- 9.1. During discussions leading up to this Agreement, and during the course of performing the Project, it is anticipated that Recipient and Sponsor will learn confidential and/or proprietary information of the other. Parties will keep confidential, and not use, except in connection with the performance of the sponsored research hereunder, any information which is provided in writing and marked as confidential by either party, or if disclosed orally, described in a writing within 30 days after disclosure, including without limitation any information which relates to sponsored research to be performed under this Agreement, any

information which either party may acquire with respect to the other party's business, and any information relating to new products, customers, pricing, know-how, processes, and practices, ("Confidential Information.") The obligations of confidentiality and non-use of Confidential Information shall survive the termination or expiration of this Agreement for a period of five years, unless or until:

- a. such information shall become known to third parties or shall become publicly known through no fault of Recipient, or
- b. such information was already in a party's possession, as evidenced by written documentation prior to the disclosure of such information to the informing party, or
- c. such information shall be subsequently disclosed to either party on a non-confidential basis by a third party who, to the best of the receiving party's knowledge, is not under any obligation of confidentiality.
- d. such information is specifically authorized by the informing party, in writing, to be disclosed.
- e. such information is required to be disclosed by applicable law or order of a court of competent jurisdiction in which case the disclosing party agrees to notify the other party of such requirement so that party may take steps to narrow or avoid disclosure.

#### **ARTICLE 10 - TERM AND TERMINATION**

- 10.1. This Agreement shall become effective upon the date first written above and shall continue in effect for the full duration of the Contract Period. Thereafter, the term of this Agreement shall automatically renew for successive one year periods unless either party provides prior written notice to the other party of its desire not to renew the term hereof, which notice must be given at least 60 days prior to the then current term of this Agreement. Sponsor may terminate this Agreement or any Project upon 60 days prior written notice at any time within the contract period.
- 10.2. In the event that either party commits any breach of or default in any of the terms or conditions of this Agreement, and fails to remedy such default or breach within thirty days after receipt of written notice thereof from the other party, the party giving notice may, at its option and in addition to any other remedies which it may have at law or in equity, terminate this Agreement by sending notice of termination in writing to the other party. Such termination shall be effective as of the date of the receipt of such notice.
- 10.3. No termination of this Agreement, however effectuated, shall release the parties from their rights and obligations accrued prior to the effective date of termination.
- 10.4. Upon termination of this Agreement or any Project, other than for breach of the terms hereof, Sponsor shall reimburse Recipient for any amounts Sponsor is otherwise obligated to provide Recipient under the terms hereof, for work on each terminated Project performed by Recipient up to the effective date of termination and for non-cancelable pre-paid expenses reasonably incurred by Recipient in anticipation of its work on each Project.

#### **ARTICLE 11 - INDEPENDENT CONTRACTOR**

- 11.1. Recipient shall be deemed to be and shall be an independent contractor and as such Recipient shall not be entitled to any benefits applicable to employees of Sponsor.
- 11.2. The parties acknowledges that neither of their employees are employees of the other party and that employees of one party are not eligible to participate in any employee benefit plans of the other party. The parties further acknowledge that neither party nor any of its

employees are eligible to participate in any such benefit plans even if it is later determined that any of its employees' status during the period of this Agreement was that of an employee of the other party. In addition, the parties waive any claims that they may have under the terms of any such benefit plans or under any law for participation in or benefits under any of the other party's benefit plans.

- 11.3. Neither party is authorized or empowered to act as agent for the other for any purpose and shall not on behalf of the other enter into any contract, warranty or representation as to any matter. Neither shall be bound by the acts or conduct of the other.

#### **ARTICLE 12 - INSURANCE AND INDEMNIFICATION**

- 12.1. Recipient warrants and represents that Recipient has adequate liability insurance in amounts not less than \_\_\_\_\_ and workers compensation insurance of statutory levels, such protection being applicable to officers, employees, and agents while acting within the scope of their employment by Recipient. Recipient has no liability insurance policy as such that can extend protection to any other person.
- 12.2. Each party hereby assumes any and all risks of personal injury and property damage attributable to the negligent acts or omissions of that party and the officers, employees, and agents thereof.

#### **ARTICLE 13 - GOVERNING LAW**

This Agreement shall be governed and construed in accordance with the laws of \_\_\_\_\_.

#### **ARTICLE 14 - ASSIGNMENT**

- 14.1. Except as provided in Article 14.2, this Agreement shall not be assigned by either party without the prior written consent of the parties hereto.
- 14.2. This Agreement is not assignable by either party to this Agreement.

#### **ARTICLE 15 - AGREEMENT MODIFICATION**

Any agreement to change the terms of this Agreement in any way shall be valid only if the change is made in writing and approved by mutual agreement of authorized representatives of the parties hereto.

#### **ARTICLE 16 - NOTICES**

Notices hereunder shall be deemed made if given by registered or certified mail, postage prepaid, and addressed to the party to receive such notice at the address given below, or such other address as may hereafter be designated by notice in writing.

If to Sponsor:

With a copy to:

If to Recipient:

With a copy to:

**ARTICLE 17 – COUNTERPARTS AND HEADINGS**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. All headings in this Agreement are inserted for convenience of reference only and shall not affect its meaning or interpretation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Sponsor \_\_\_\_\_ Recipient \_\_\_\_\_

By \_\_\_\_\_ By \_\_\_\_\_

\_\_\_\_\_  
Typed Name

\_\_\_\_\_  
Typed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

**Homework**

- A. **Agreement review:** Knowing what items should and should not be in an agreement is important, but as equally important is being able to read terms to detect items for rejection or negotiation. This portion of the exercise will provide term review and rewriting experience. Below are paragraphs that may or may not be acceptable under the conditions of an organization’s policies and/or country’s laws. Review each paragraph to determine if it is acceptable according to the conditions of the organization. If the paragraph is unacceptable suggest how it could be changed to meet the requirements of the organization. Comments and suggested rewrites follow the next homework section.

The policy of the organization states 1) that all new intellectual properties developed by an employee will be the property of the organization, 2) the ownership of the organization’s intellectual property remains the property of the organization, 3) the right to publish is reserved for all scientists and 4) no one regardless of nationality is to excluded from a research project.

- a. All intellectual property directly arising from work undertaken for Project creating new material (“Foreground”) shall remain the property of the Sponsor during the Term and thereafter.
- b. You and your institution hereby expressly agree to grant Sponsor an exclusive, worldwide license to exploit for any purpose, including commercial purposes, your and

your institution's rights in any invention, know-how, or other proprietary technology which is conceived or reduced to practice in the course of research using the Research Material(s) provided hereunder and which relates to the Research Material(s), such license to be granted under commercially reasonable terms, provided that the consideration for such license shall not exceed a royalty of 2% of net sales of products that are covered by the claim(s) of any valid patent(s) covering such invention, know-how, or other proprietary technology.

- c. The Sponsor recognizes that the research results of the Project achieved by Recipient may be great commercial value to the Sponsor. To prevent any disclosure of the potentially valuable research information of data the Recipient agrees not to present at symposia, national, or regional professional meetings, nor to publish in journals.
- B. Review of laws, policies and customs affecting intellectual property matters in Research Agreements in the participant's country and organization. For this part of the exercise use the Sample Research Agreement.
- a) List any laws of your country that would impact the Research Agreement.
  - b) List any organizational policies that would impact the Research Agreement.
  - c) List any customs (country, regional, and/or organizational) that would impact the Research Agreement.
  - d) Using the Sample Research Agreement, list the terms/conditions impacted by the laws (a), organizational policies (b) and customs (c).
  - e) Using the Sample Research Agreement rewrite each impacted term/condition so it complies with laws, organizational policy and customs.
  - f) Prepare a "model" Research Agreement for use by your organization that can serve as a base for a "standard agreement" and negotiation.
- C. Responses for Part A, review of agreement paragraphs.
- a. Not acceptable. It could be rejected or written as follows: All intellectual property directly arising from work undertaken for Project creating new material ("Foreground") shall become the property of the Research Organization during the Term and thereafter. Sponsor shall have a one-year exclusive option to negotiate an exclusive license to any new materials developed hereunder.
  - b. Marginally acceptable. This would need to be discussed with supervisors to determine if exceptions would be made to accept the limitation to royalties. The organization needs to add a sentence that reserves the right to continued use of the materials by the organization. This sentence would read: "The Sponsor grants to you and your institution the right to use such licensed materials for research and other such purposes." Or, if the Sponsor doesn't want anyone to commercialize, the sentence could read: "The Sponsor grants to you and your institution the right to use such licensed materials for research and other such purposes excepting commercialization of such research or other purposes."
  - c. This would be unacceptable from the standpoint of the policy conditions given at the beginning of this Section. The wording given in the Research Agreement should be used. Under the Research Agreement paragraph the recipient organization can publish

or present, but cannot do so until the sponsor has reviewed the material being proposed for publication or presentation. There is a time limitation for this review that is very necessary or the sponsor could just “sit” on the materials and never approve them. This is one term that needs to be negotiated the most often. Sponsors, especially industrial sponsors, do not want the results publicized. The author negotiated this point for one year, 12 months, on one research contract. The result of the negotiation was language very similar to that given in the Research Agreement.

*The author again wishes to emphasize that the agreements presented in this Workbook are approved for use in the United States only and should not be used as presented here in any other country. Intellectual Property laws vary throughout the world and terms in an agreement acceptable in the United States may not be acceptable elsewhere. It is very important for each type of agreement to be in accordance with the laws of the country in which the agreement is to be used. It is also important for every agreement to be reviewed and approved by an attorney knowledgeable in intellectual property matters*

# Chapter 6

## Cooperative Research Agreements

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### Introduction

Innovations generally come from research projects and usually an organization has a mechanism for handling these innovations. But what happens if researchers from two or more organizations get together to work on a research project, each working in their own laboratory or working together in one laboratory? If the research this group of researchers conducts results in an innovation: Who owns the innovation?, Who pays for its protection? Who get to use the innovation? If it is to be licensed out who has the responsibility for licensing? If the researchers were working together in one laboratory, whose employees were they? What if the researchers want to share their intellectual properties, how do they do it? In order to prevent these intellectual property questions from arising all parties involved must enter into an agreement that answers all these questions and more prior to the start of the research project. The recommended type of agreement is the Cooperative Research Agreement.

### Objectives of Exercise

The objectives of this exercise are several fold. These objectives are 1) to introduce the idea of using intellectual property agreements for joint, multi-organizational, research projects, 2) to review a basic Cooperative Research Agreement which considers intellectual property matters, 3) to illustrate the terms generally used in such an agreement and the importance of these terms, and 4) to allow each reader the means to modify the Cooperative Research Agreement to meet the requirements and needs of their country/organization.

### Definitions/Description

A Cooperative Research Agreement is a legal instrument that governs the handling of intellectual properties in a research project being jointly conducted by researchers from several different organizations. It is a contract binding on all parties that have signed the agreement document. This agreement should be in place, signed, before the joint research project begins.

### Discussion and Summary

The orderly management of intellectual properties in a joint research project is a must. The intellectual properties include those already developed and owned by one of the participating organization that will be used in the project as well as those developed in the research project itself. The researchers may informally agree on how they will handle intellectual properties, but organizational policy and custom may not agree or impose other conditions during the joint research project term. As the research proceeds the researcher may even begin to disagree on what they had formally agreed to at the beginning of the joint research project. How will the organizations react if the researchers bring forward a major innovation? If this major innovation is licensed how will royalties be divided? Will the organizations argue about which

researcher did what and how much each researcher contributed? A fully executed Cooperative Research Agreement will be able to answer all these questions and provide additional direction such as which organization will take the lead in licensing and how innovation protection costs are paid.

Just how important is a cooperative research agreement? Here's one example. A major multinational chemical company approached a group of researchers from several different U.S. universities and a U.S. federal research laboratory asking if they would be interested in conducting an agribiotechnology research project. All the researchers said they were interested and jointly wrote a research proposal specifically describing what the research plan would be and what each would do in this plan. The budget for this joint research project was for several million U.S. dollars. One university took the lead in negotiating the research agreement with the company. This university worked closely with the other parties and solicited their input as well as that from the researchers. The negotiations went on over a six month period and when completed there was an agreement package that included the research agreement, a license agreement for acquiring innovations, a confidential disclosure agreement and material transfer agreements. However, before the research could begin the universities and the federal laboratory were required by the chemical company to have a cooperative research agreement for the handling of intellectual properties in place. The chemical company did not tell the universities and federal laboratory what to include in the cooperative research agreement except that this agreement must allow for the expeditious handling of any innovations.

## Details/Specifics

Cooperative Research Agreements may vary considerably, but they usually have certain terms and conditions that are common to all. Many of these common terms are listed below, their importance is described and a sample statement from a License Agreement is given for each

1. **Parties:** The Cooperative Agreement must carefully list the names and addresses of the Licensor and the company licensing the innovation. It will be through these addresses that the parties will communicate.

*This Agreement is entered into by \_\_\_\_\_ a research organization established under \_\_\_\_\_ laws (hereinafter **INSTITUTE**), having its principle office at \_\_\_\_\_; and*

*\_\_\_\_\_ a \_\_\_\_\_ organized under the laws of \_\_\_\_\_ (hereinafter **COOPERATOR I**), having its principle office at \_\_\_\_\_; and*

*\_\_\_\_\_ a \_\_\_\_\_ organized under the laws of \_\_\_\_\_ (hereinafter **COLLABATOR II**), having its principle office at \_\_\_\_\_.*

2. **Whereas Clauses:** The Whereas Clauses set the tone for the Cooperative Agreement. It is here where the parties list their intent for the Agreement.

**WHEREAS**, researchers at **INSTITUTE**, **COLLABOTATOR I** and **COLLABATOR II** are collaborating and continue to collaborate on research pertaining to \_\_\_\_\_ and,

**WHEREAS**, certain intellectual property including patents and patent applications and pant varieties may be derived from this collaborative research effort; and,

**WHEREAS**, the researchers agreed at the onset of the that the Joint Project (as defined in **Article I**) would be a joint effort and that the intellectual property or any other benefits that might be derived from the collaboration would be commonly owned by the researchers and their respective institutions; and,

**WHEREAS, INSTITUTE, COLLABORATOR I and COLLABORATOR II** wish to provide for the handling and division of the patenting costs and the monies received from any option to license or license under said patent rights,

**NOW THEREFORE**, in consideration of the mutual benefits to be derived hereunder, the **Parties** agree as follows:

3. **Definitions:** Certain words or phrases used though out the Cooperative Research Agreement may have special meanings. This section defines these terms and whenever the terms are used in the Cooperative Research Agreement the first letter is capitalized. Below are a few of the terms one would include in an agreement. If a term that needs defining is only listed once in the agreement, the definition for that term can follow the term in the particular clause. The words used in the definitions are very important and must be exact to develop the correct meaning for a particular word or phase for the material/information being licensed. Also, the definitions must be used properly throughout the Cooperative Research Agreement; incorrect usage could void a section of the agreement and cause particular harm to one or all of the participating organizations. One important definition to always include is a complete description of the research project itself. The best approach would be to reference the project in the definitions and refer to the proposal that is attached to the agreement.

*"Intellectual Property" shall mean patents, copyrights, trademarks, plant variety certification and any other forms of intellectual property protectable under \_\_\_\_\_ law.*

*"Joint Ownership" shall mean two or more of the Parties have employees that are co-inventors to Intellectual Property.*

*"Joint Project" shall mean a collaborative research program between Parties involving researchers \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ and such other researchers who may participate in this project \_\_\_\_\_ titled \_\_\_\_\_.*

*"Party" shall mean INSTITUTE, COLLABORATOR I and COLLABORATOR II individually or collectively they shall be referred to as "Parties".*

4. **Handling of Intellectual Properties:** When there is only one party conducting research there is no question oh how any innovations are to be handled. However, when two or more organizations are involved there are questions such as: Who files for protection, who pays, who licenses, etc. This set of clauses describes how innovations are to be handled, by whom, who owns them and the responsibilities of the other parties.

*INSTITUTE will be responsible for the patenting and licensing of Intellectual Property with Joint Ownership. There will be joint assignment to Intellectual Property with Joint Ownership to the contributing Parties.*

*Intellectual Property made solely by one Party will be owned and controlled by that Party. Controlled means said Party will be in control of all decisions concerning patenting and*

*licensing, and said Party will retain all royalties resulting from the licensing.*

*In all instances, counsel chosen to prosecute patent applications, or plant variety certification shall be made aware of the nature of the Joint Project and shall be charged with determining Inventorship in accordance with law soliciting facts, if any, from each Party.*

*Licensing of jointly developed invention shall only be by mutual agreement of Parties. INSTITUTE shall take the lead in identifying potential licensees and negotiating license agreement(s) following consultations with the other two Parties.*

*Inventions developed by individual Parties under the Joint Project shall be available to the other two institutions through a non-exclusive, royalty-free license to use such inventions for internal, non-commercial purposes.*

5. **Finances:** To prevent disagreement in handling any funds associated with innovations which arise from the project a set of terms is included to describe how expenses are to be covered and royalties distributed. This set of terms prevents the parties from trying to work out payment and distribution schemes as an after the fact matter in those cases where innovations are made, thus saving considerable time and, possibly, hostile feelings between parties.

*Foreign patent applications and plant variety certification applications for Joint Ownership shall be filed, prosecuted and enforced as mutually agreed upon between the **Parties** and enforced as mutually agreed upon between the **Parties**, and the **Parties** will share the expenses thereof as provided in this Agreement.*

*Unless agreed otherwise, all legal costs and fees incurred after the Effective Date of this Agreement will be shared equally by the institutions contributing to an invention of a new plant variety, except that if any **Party** objects to the filing or continued prosecution of an application or enforcement of a patent or certificate in a particular country (or countries), the other **Party (Parties)** may proceed at its (their) own expense. If any **Party (Parties)** proceeds on its (their) own, the **Party** declining to proceed shall have no rights or interest in any patent or plant variety certification rights for said country (countries) in which it declines to proceed.*

*For Joint Ownership Intellectual Property the **Parties** agree to share equally all income received from licensing and commercialization of the Intellectual Property or any other technology that might result from the present and future collaboration on the Joint Project. In the event gross royalties do not cover the accrued legal costs expended by any **Party** with respect to jointly developed Intellectual Property, no **Party** shall be held responsible for reimbursing the other **Party (Parties)**.*

6. **Governing Law:** An organization preparing a Cooperative Research Agreement will have the Agreement under the control of its country's laws. This means that if there is a legal dispute or a problem caused by a breach of one of the other parties the law applied to the dispute or breach would be the Governing Law. The other cooperating organizations have little chance in changing the governing law clause, but it may be possible to negotiate for a neutral country's laws to apply to the Cooperative Research Agreement

*This construction, validity, performance and effect of this entire Agreement shall be governed by the laws of \_\_\_\_\_.*

7. **Employee Status:** Researchers may work in each others laboratory during this research project. Under these conditions new intellectual property may be developed by a researcher while at another institution. To ensure that the new intellectual property is credited properly and so both the researcher and organizations know by whom the innovating researcher is employed an employment clause is included in the Agreement.

*The researchers of each **Party** shall continue to be employees of that **Party** and shall not be considered to be employees of any other **Party**.*

8. **Effective Date:** This is the date that all parties agreed is the starting point for the research arrangement. Sometimes this is found near the end of the Agreement and other times it is included in the “parties” section.

*The Effective Date of this Agreement is \_\_\_\_\_, 20 \_\_\_\_.*

## Sample Cooperative Research Agreement

This Agreement is entered into by \_\_\_\_\_ a research organization established under \_\_\_\_\_ laws (hereinafter **INSTITUTE**), having its principle office at \_\_\_\_\_; and

\_\_\_\_\_ a \_\_\_\_\_ organized under the laws of \_\_\_\_\_ (hereinafter **COLLABORATOR I**), having its principle office at \_\_\_\_\_; and \_\_\_\_\_ a \_\_\_\_\_ organized under the laws of \_\_\_\_\_ (hereinafter **COLLABORATOR II**), having its principle office at \_\_\_\_\_.

Witnesseth that:

**WHEREAS**, researchers at **INSTITUTE**, **COLLABORATOR I** and **COLLABORATOR II** are collaborating and continue to collaborate on research pertaining to \_\_\_\_\_ and,

**WHEREAS**, certain intellectual property including patents and patent applications and plant varieties may be derived from this collaborative research effort; and,

**WHEREAS**, the researchers agreed at the onset of the that the Joint Project (as defined in **Article I**) would be a joint effort and that the intellectual property or any other benefits that might be derived from the collaboration would be commonly owned by the researchers and their respective institutions; and,

**WHEREAS**, **INSTITUTE**, **COLLABORATOR I** and **COLLABORATOR II** wish to provide for the handling and division of the patenting costs and the monies received from any option to license or license under said patent rights,

**NOW THEREFORE**, in consideration of the mutual benefits to be derived hereunder, the **Parties** agree as follows:

### ARTICLE I – DEFINITIONS

- 1.1 "Intellectual Property" shall mean patents, copyrights, trademarks, plant variety certification and any other forms of intellectual property protectable under Egyptian law.
- 1.2 "Joint Ownership" shall mean two or more of the Parties have employees that are co-inventors to Intellectual Property.
- 1.3 "Joint Project" shall mean a collaborative research program between Parties involving researchers \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ and such other researchers who may participate in this project titled \_\_\_\_\_.
- 1.4 "Party" shall mean **INSTITUTE**, **COLLABORATOR I** and **COLLABORATOR II** individually or collectively they shall be referred to as "Parties".

## ARTICLE II – PROPRIETARY RIGHTS

- 2.1 Title to Intellectual Property will be with the originating Party unless there is Joint Ownership
- 2.2 Handling of Intellectual Property
- (a) INSTITUTE will be responsible for the patenting and licensing of Intellectual Property with Joint Ownership. There will be joint assignment to Intellectual Property with Joint Ownership to the contributing Parties.
- (b) Intellectual Property made solely by one Party will be owned and controlled by that Party. Controlled means said Party will be in control of all decisions concerning patenting and licensing, and said Party will retain all royalties resulting from the licensing.
- (c) In all instances, counsel chosen to prosecute patent applications, or plant variety certification shall be made aware of the nature of the Joint Project and shall be charged with determining Inventorship in accordance with law soliciting facts, if any, from each Party.
- 2.3 Licensing and Use
- (a) Licensing of jointly developed invention shall only be by mutual agreement of Parties. INSTITUTE shall take the lead in identifying potential licensees and negotiating license agreement(s) following consultations with the other two Parties.
- (b) Inventions developed by individual Parties under the Joint Project shall be available to the other two institutions through a non-exclusive, royalty-free license to use such inventions for internal, non-commercial purposes.
- 2.4 Other institutions or parties may be added to the Joint Project via a subcontract or some other mechanism for the purpose of facilitating the research. **INSTITUTE**, **COLLABORATOR I**, and **COLLABORATOR II** will remain the primary **Parties** for the determination of patenting and Intellectual Property ownership and the other institutions which may be added to the Joint Project shall be secondary in the decision-making process pertaining to proprietary rights.

## ARTICLE III – PROTECTION EXPENSES

- 3.1 Foreign patent applications and plant variety certification applications for Joint Ownership shall be filed, prosecuted and enforced as mutually agreed upon between the **Parties** and enforced as mutually agreed upon between the **Parties**, and the **Parties** will share the expenses thereof as provided in **ARTICLE III 3.2** hereof.
- 3.2 Unless agreed otherwise, all legal costs and fees incurred after the Effective Date of this Agreement will be shared equally by the institutions contributing to an invention of a new plant variety, except that if any **Party** objects to the filing or continued prosecution of an application or enforcement of a patent or certificate in a particular country (or countries), the other **Party (Parties)** may proceed at its (their) own expense. If any **Party (Parties)** proceeds on its (their) own, the **Party** declining to proceed shall have no rights or interest

in any patent or plant variety certification rights for said country (countries) in which it declines to proceed.

#### **ARTICLE IV – INCOME DISTRIBUTION**

For Joint Ownership Intellectual Property the **Parties** agree to share equally all income received from licensing and commercialization of the Intellectual Property or any other technology that might result from the present and future collaboration on the Joint Project. In the event gross royalties do not cover the accrued legal costs expended by any **Party** with respect to jointly developed Intellectual Property, no **Party** shall be held responsible for reimbursing the other **Party (Parties)**.

#### **ARTICLE V – ASSIGNABILITY**

None of the **Parties** shall assign or transfer any of the rights under this Agreement without the prior written approval of the other **Parties** which such approval shall not be unreasonably withheld.

#### **ARTICLE VI – FUTURE ISSUES**

- 6.1 If any disagreements arise, the Parties will use best efforts to negotiate to resolve all differences. The collaboration of Parties and their researchers is paramount.
- 6.2 This Agreement shall terminate with the expiration of the last to expire patents and/or plant variety certifications developed under this Joint Project, or on abandonment of all patent or plant variety applications developed under this Joint Project, provided such abandonment is by mutual consent.
- 6.3 This Agreement may be amended by mutual agreement of the Parties. Such amendments shall not be binding unless they are in writing and signed by authorized representatives of each party.

#### **ARTICLE VII – MISCELLANEOUS**

- 7.1 This construction, validity, performance and effect of this entire Agreement shall be governed by the laws of \_\_\_\_\_.
- 7.2 This Agreement sets forth the entire agreement and understanding between the Parties as to the subject matter thereof and merges all prior discussions between them.
- 7.3 If any provision of this Agreement shall be held to be invalid, such invalidity shall not affect any other provisions of this Agreement, but the remainder hereof shall be effective as though such invalid provisions had not been contained herein.
- 7.4 Each Party shall require all of its researchers conducting research under the Joint Project to assign their rights to Intellectual Property conceived during the term of the Joint Project to the appropriate Party.
- 7.5 The researchers of each Party shall continue to be employees of that Party and shall not be considered to be employees of any other Party.

7.6 This Agreement may be executed in any number of counterparts, any one of which shall be deemed to be the original without the production of the others.

In witness whereof, the **Parties** hereto have caused the Agreement to be executed in triplicate by their duly authorized representatives.

The Effective Date of this Agreement is \_\_\_\_\_, 20 \_\_\_\_.

**INSTITUTE**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**COLLABORATOR I**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**COLLABORATOR II**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## Homework:

Review laws, policies and customs affecting intellectual property matters in Cooperative Research Agreements in the participant's country and organization. For this part of the exercise use the Sample Cooperative Research Agreement.

- a) List any laws of your country that would impact the Cooperative Research Agreement.
- b) List any organizational policies that would impact the Cooperative Research Agreement.
- c) List any customs (country, regional, and/or organizational) that would impact the Cooperative Research Agreement.
- d) Using the Sample Cooperative Research Agreement, list the terms/conditions impacted by the laws (a), organizational policies (b) and customs (c).
- e) Using the Sample Cooperative Research Agreement rewrite each impacted term/condition so it complies with laws, organizational policy and customs.
- f) Prepare a "model" Cooperative Research Agreement for use by your organization that can serve as a base for a "standard agreement" and negotiation.

*The author again wishes to emphasize that the agreements presented in this Workbook are approved for use in the United States only and should not be used as presented here in any other country. Intellectual Property laws vary throughout the world and terms in an agreement acceptable in the United States may not be acceptable elsewhere. It is very important for each type of agreement to be in accordance with the laws of the country in which the agreement is to be used. It is also important for every agreement to be reviewed and approved by an attorney knowledgeable in intellectual property matters.*

# Chapter 7

## License Agreements

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### Introduction

The innovators or the innovations' organization can use their innovation in-house or it can be transferred to others. Transferring could take place in one of the following three manners: 1) giving the innovation away or making available to anyone for no charge, 2) selling the innovation or 3) licensing the innovation. The owner of the innovation loses all control of the innovation if it is given away or sold. If sold the innovator's owner should gain financially, but this will generally be a one-time payment. By licensing an innovation the owner retains control of who will use it and, to a certain extent, how it will be used. The license agreement provides the owner of an innovation to commercially exploit an innovation under defined terms and conditions. Through licensing financial gain can be realized on an annual basis (royalties). If the innovation is especially commercially successful it will provide the licensor with considerable income.

One university received many millions of dollars for a set on innovations in the cancer chemotherapy area. The innovator wanted to make the innovations available to anyone at no cost. The university, which owned the innovations because of its policies, decided instead to license the innovations. The company that licensed the inventions then attempted to license the innovation to pharmaceutical companies. This company finally was able to license one part of the innovation after seven years and the other part two years later. The innovation was made in the late 1960s, licensed in 1977 and beginning around 1985 the pharmaceutical company began paying royalties. The royalties were minimal, a several hundred thousand U.S. dollars, but by the mid-1990s the annual payments exceeded twenty million U.S. dollars. This was an exceptional set of innovations and most innovations, even if commercially successful, do not provide royalties of this magnitude. Commercially successful innovation may bring in no more than ten thousand U.S. dollars per year. This example also illustrates the facts that innovation licensing does not always occur quickly or begin to pay royalties until several years after licensing.

### Objectives of Exercise

The objectives of this lesson are several fold. These objectives are 1) to illustrate important points of a license agreement, 2) to illustrate the importance of properly worded terms and clauses in a License Agreement, 3) to provide a means of reviewing these components and 4) to allow each participant the means to modify the License Agreement to meet the requirements and needs of their country/organization.

### Definitions/Description

The License Agreement is a legal instrument, which allows an organization to use one or more innovations that belong to another organization under defined terms and conditions. It is a contract binding on both parties, the one offering the innovation and the one receiving the innovation. The License Agreement is usually in place until the protection covering the innovation expires.

## Discussion and Summary

The License Agreement provides a means for transferring an innovation from one organization to another while still maintaining some control over the use, manufacture and sale of the innovation. The license agreement also provides a means for potentially gaining financially from the arrangement through periodic royalty payments.

Licensing an innovation, while appearing to be simple and logical, is usually difficult taking a considerable period of time before reaching a point where both parties are satisfied. Finding a company that might be able to use an innovation is not difficult, but convincing the potential licensee that they should license is very difficult in most cases. The company may indicate they have no need for the particular innovation. It may say they can do this already or can do it better. Having to pay for an innovation is another argument. The company may say government funds were used to support the research and the company pays taxes and other fees to the government; therefore, the innovation's availability should be free. Another argument against licensing is that the innovation has not been proven in the marketplace or not been scaled-up. The arguments are numerous and the group licensing out the innovation cannot give in to company demands to give the innovation away for free. Once these initial arguments are overcome the license negotiations can begin.

Even negotiations can take a considerable period of time. One should expect the negotiation period will take three to six months to complete. To initiate the licensor, innovation owner, should present a copy of a license agreement, the licensor's "standard license agreement" to the potential licensee, the company. The agreement should have all payments, due diligence requirements and other items specific to the particular innovation included in the draft license. At the time of presentation a time should be set by the two parties to begin discussing, begin negotiating the license agreement – perhaps the next week. Because the license agreement will need to be reviewed by company officials and attorneys the one week time may not be enough, be sure to allow for review by all, but also make sure there is an "end point" to the initial review.

In general the company will not like the terms of the license agreement, especially the payments and due diligence requirements. However, the company will probably begin to negotiate other parts of the agreement, such as report frequency. This is done to learn how the licensor reacts and negotiates.

After each negotiation session the parties will have to return to their organization to discuss the negotiated changes and to have them reviewed by an attorney and, perhaps, upper level supervisors. These sessions can go on for an extended period, two to three months. Usually the last items negotiated are payments. According to the potential licensee the licensor has asked for too much and according to the licensor the potential licensee has offered too little. Through negotiation the parties will reach a payment schedule that is satisfactory for both.

The license agreement is not complete until both parties sign the negotiated agreement. As stated before this may take place several months after the company agreed to enter into a licensing arrangement. Those not accustomed to licensing, such as upper level supervisors, may believe the licensing and negotiating team is ineffective, but this is not the case. It just takes time for everything to happen; time for review, time for rereview and so forth. A major problem that sometimes arises during negotiation is interference from these upper level supervisors when they try to "speed up" the negotiating process while not knowing what is really taking place during the negotiation period. For example, one licensing executive was working with a company to license an innovation. The negotiations had been going on for over three months when the licensing executive's supervisor said the "deal" had to be wrapped up within

two weeks! The licensing executive knew this would be impossible to do because of the negotiation activity; it was expected that the negotiations would take another month to two months to complete. The supervisor said “no” the “deal” was to be completed within two weeks and if not the innovation was to be offered to another company. Under this pressure the “deal” was completed, but the terms in the license were not what the licensing executive would have expected. Several months after completing these negotiations the supervisor’s supervisor asked about the details of the “deal” and after seeing what had been accomplished this supervisor was quite unhappy about the terms of the licensing agreement. The licensing executive was blamed for not getting better terms.

In some cases the potential licensee will ask if they can look more closely at an innovation before they license it. In some cases the company may want to actually work with the innovation. In these cases the parties could enter into an agreement, an Option to License Agreement, that gives the company a short term, no longer than six months, period to review the innovation. The company would be expected to pay for this privilege and to return everything if it did not enter into a licensing arrangement. A sample Option to License Agreement can be found in Appendix 2.

The type of license and the terms, particularly the financial and diligence terms are determined through study and through discussion with those who may have some commercial knowledge in the area of the innovation. Any discussions held with person not part of the innovation company must have signed an appropriate Confidential Disclosure Agreement before these discussions can be held. Determining financial considerations is most difficult. The innovator always believes the innovation is worth much more than it is really is, upper level supervisors often expect an innovation to be very valuable. Keeping this in mind, the licensing executive must provide a convincing argument for the “asking price” of any innovation. An innovation is really only worth what someone, some company, is willing to pay for it.

## Details/Specifics

License Agreements may vary considerably, but they usually have certain terms and conditions that are common to all. Many of these common terms are listed below, their importance is described and a sample statement from a License Agreement is given for each.

1. **Parties:** The License Agreement must carefully list the names and addresses of the Licensor and the company licensing the innovation. It will be through these addresses that the parties will communicate.

*This Agreement is made and entered into by and between \_\_\_\_\_, with an office at \_\_\_\_\_ (hereinafter called Licensor) and \_\_\_\_\_, with an office at \_\_\_\_\_ (hereinafter called Company).*

2. **Effective Date:** This is the date that all parties agreed is the starting point for the license arrangement. Sometimes this is found near the end of the Agreement and other times it is included in the “parties” section. This date is important because all events, such as reports, royalty payments, due diligence requirements, etc., will be keyed to this date.

*The effective date of this agreement is \_\_\_\_\_, 20\_\_\_\_.*

3. **Whereas Clauses:** The Whereas Clauses set the tone for the License Agreement. It is here where the parties list their intent for the license.

***WHEREAS,** Licensor has the right to grant licenses under the licensed patent rights (as hereinafter defined), and wishes to have the inventions covered by the licensed patent rights in the public interest; and*

***WHEREAS** Company wishes to obtain a license under the licensed patent rights upon the terms & conditions hereinafter set forth:*

***NOW, THEREFORE,** in consideration of the premises and the faithful performance of the covenants herein contained the parties agree to the following:*

4. **Definitions:** Certain words or phrases used though out the License Agreement may have special meanings. This section defines these terms and whenever the terms are used in the License Agreement the first letter is capitalized. Below are a few of the terms one would include in an Agreement. If a term that needs defining is only listed once in the Agreement, the definition for that term can follow the term in the particular clause. The words used in the definitions are very important and must be exact to develop the correct meaning for a particular word or phase for the material/information being licensed. Also, the definitions must be used properly throughout the License Agreement; incorrect usage could void a section of the Agreement and cause particular harm to the licensee. One such improper use, the lack of capitalization, resulted in a large payback to the licensee after the Agreement had been in place for several years. Had the defined word been capitalized there would have been no payback.

*For the purpose of this Agreement, the following definitions shall apply:*

*(a) "Licensed Patent Rights" shall mean: Patent Application Serial No. \_\_\_\_\_ filed \_\_\_\_\_ by \_\_\_\_\_. Or New Plant Variety registered and protected through \_\_\_\_\_.*

*(b) Any and all improvements developed by Licensor, whether patentable or not, relating to the Licensed Patent Rights, which Licensor may now or may hereafter develop, own or control.*

*(c) Any or all patents, which may issue on patent rights and improvements thereof, developed by Licensor and any and all divisions, continuations, continuations-in-part, reissues and extensions of such patents.*

*"Product(s)" shall mean any materials including plants and/or seeds, compositions, techniques, devices, methods or inventions relating to or based on the Licensed Patent Rights, developed on the date of this agreement or in the future.*

5. **Grant of License:** This term describes the type of license granted to the Licensee or company. There are two basic types of licenses, non-exclusive and exclusive. The non-exclusive allows the licensor to license the same innovation to a number of parties or companies. The non-exclusive licensees are in competition with each other with this one innovation. The exclusive license limits the licensing of an innovation to only one party or company; however, the exclusivity may be limited to a particular use, a particular geographic area or other limiting factors. Under an exclusive license with specific limitations, the

innovation could be licensed to another company as long as would be no direct competition between licensees. One important point, if the license is exclusive the licensor has no rights to the innovation after licensing unless the licensor specifies that it can continue to use the innovation for specific purposes. This reservation of rights is done in the second paragraph of this clause.

*Licensor hereby grants to Company the exclusive license with the right to sublicense others, to make, have made, use, sell and lease the Products described in the Licensed Patent Rights.*

*Licensor retains the right to continue to use Licensed Patent Rights in any way for non-commercial purposes.*

*It is understood by the Company that the Licensed Patent Rights were developed under \_\_\_\_\_ Grant No. \_\_\_\_\_. The \_\_\_\_\_ government has a non-exclusive royalty free license for governmental purposes. (This paragraph is optional. It only applies to government sponsored research innovations.)*

6. **Royalties:** Generally when licensing an innovation the licensor expects to receive financial rewards. These rewards may include a sign-up or front-end payment, annual payments based on sales or some other criterion, a share of any sublicensing fees and, perhaps, milestone payments. These payments must be clearly defined so that both parties know what is to be paid, when it is to be paid and on what basis it is to be paid. Many times the form of currency is also specified, i.e., U.S. dollars.

*Initial payment and royalty rate. For the license herein granted:*

- (a) *Company agrees to pay a sign-up fee of \_\_\_\_\_ (\_\_\_\_\_).*
- (b) *Company shall pay on earned royalty of \_\_\_\_\_percent (\_\_\_\_%) of Company's Net Sales of Products and fifty percent (50%) of the sublicensing receipts.*
- (c) *Company shall pay an annual royalty of \_\_\_\_\_ (\_\_\_\_\_) for each leased Product.*

*Sublicenses. The granting and terms of all sublicenses is entirely at Company's discretion provided that all sublicenses shall be subjected to the terms and conditions of this agreement.*

*Minimum royalty: Company will pay Licensor, when submitting their royalty report a minimum royalty of \_\_\_\_\_ (\_\_\_\_\_) annually.*

*When a sale is made: A sale of Licensed Patent Rights shall be regarded as being made upon payment for Products made using Licensed Patent Rights.*

7. **Reports:** The requirement for periodic reports from the licensee is important. These reports allow the licensor to monitor the licensee in its development of the innovation, the steps it takes to bring the innovation to market and the commercial success of the innovation. Information in these reports can be used by the licensor to encourage the licensee or to demand more diligence of the licensee. Reports on sales, or whatever royalties are based upon, are important since they provide the basis for calculating royalty payments and they allow the licensor to ascertain the correctness of the payments.

*Reports. Within thirty (30) days after the end of the calendar quarter annual period during which this agreement shall be executed and delivered within thirty (30) days after the end of each following quarter annual period, Company shall make a written report to Licensor setting forth the Net Sales of Licensed Patent Rights sold, leased or used by Company and total sublicensing receipts during the quarter annual period. If there are no Net Sales or sublicensing receipts, a statement to that effect be made by Company to Licensor. At the time each report is made, Company shall pay to Licensor the royalties or other payments shown by such report to the payable hereunder.*

*Books and records. Company shall keep books and records in such reasonable detail as will permit the reports provided for in Paragraph 4.1 hereof to be determined. Company further agrees to permit such books and reports to be inspected and audited by a representative or representatives of Licensor to the extent necessary to verify the reports provided for in paragraph 4.1 hereof; provided, however, that such representative or representatives shall indicate to Licensor only whether the reports and royalty paid are correct, if not, the reasons why not.*

8. **Due Diligence:** The licensor expects the licensee or company to take the innovation forward and into the marketplace. To ensure this happens, or to be sure the licensee is striving to do so, the license will include a clause on milestones or requirements to be met at certain times during the development and marketing of the innovation. The clause below contains minimal requirements; additional requirements should be added depending on the particular innovation. The following are examples of requirements included in Due Diligence clauses (the ones used will depend on the innovation being licensed): prototype development, marketing plan, demonstration, marketing literature, tradeshow participation, introduction to marketplace, volume used, video produced, sublicenses issued, field trials, clinical tests, survey results, Beta testing, number of pieces sold, sales and marketing of a product incorporating innovation, etc.

*Company shall use its best efforts to bring Licensed Patent Rights to market through a thorough, vigorous and diligent program and to continue active, diligent marketing efforts throughout the life of this agreement.*

*Company shall deliver to Licensor on or before \_\_\_\_\_, a business plan for development of Licensed Patent Rights, which includes number and kind of personnel involved, time budgeted and planned for each phase of development and other items as appropriate for the development of the Licensed Patent Rights. Quarterly reports describing progress toward meeting the objectives of the business plan shall be provided.*

*Company shall permit an in-house inspection of Company facilities by Licensor on an annual basis beginning at \_\_\_\_\_.*

*Company failure to perform in accordance with either paragraph 6.1, 6.2 or 6.3 of this ARTICLE VI shall be grounds for Licensor to terminate this agreement.*

9. **Litigation and Infringement:** The license must define who is responsible for following through on litigation and infringement situations. Also, who pays for any legal or other associated costs must be clearly described. Often the licensor, a not-for-profit organization, cannot afford the legal costs associated with litigation or infringement, so the license will require the licensee to take responsibility for these costs.

**Initiation.** *In the event that Licensor advises Company in writing of a substantial infringement of the patents/copyrights included in the Licensed Patent Rights, Company may, but is not obligated to, bring suit or suits through attorneys of Company's selection with respect to such infringement. In the event Company fails to defend any declaratory judgment action brought against any patent or patents of the Licensed Patent Rights, Licensor on written notice to Company may terminate the License as to the particular patent or patents involved in such declaratory judgment action.*

**Expenses and proceeds of litigation.** *Where a suit or suits have been brought by Company, Company shall maintain the litigation at its own expense and shall keep any judgments and awards arising from these suits expecting that portion of the judgments attributable to royalties from the infringer shall be divided equally between Licensor and Company after deducting any and all expenses of such suits; provided, however, Licensor shall not be entitled to receive more under this provision than if the infringer had been licensed by Company.*

10. **Termination:** The licensor must make provisions for terminating the license if the licensee is not performing according to the terms of the license agreement. A general termination clause is provided below. Other reasons for termination could be added. A review of the innovation and the expected use of it should be used as determining factors on what should be used for termination parameters. The Due Diligence clause also provides a means of terminating the license if the licensee is not meeting certain requirements on developing the market for the innovation.

**Termination by Company:** *Company may, at its option, terminate the license granted by this Agreement, provided Company shall not be in default hereunder, by giving Licensor ninety (90) days notice to its intention to do so. If such notice shall be given, then upon the expiration of such ninety (90) days the termination shall become effective; but such termination shall not operate to relieve Company from its obligation to pay royalties or to satisfy any other obligations, accrued hereunder prior to the date of such termination.*

**Termination by Licensor:** *Licensor may, at its option, terminate the license granted by this Agreement if the Company is in default in the payment of any royalties required to be paid by Company to Licensor hereunder or in*

(a) *Default in the making of any reports required hereunder and such default shall continue for a period of thirty (30) days after Licensor shall have given to Company a written notice of such default.*

(b) *Default in the performance of any other material obligation contained in this agreement on the part of Company to be performed and such default shall continue for a period of thirty (30) days after Licensor shall have given to Company written notice of such default.*

(c) *Adjudication that Company is bankrupt or insolvent.*

11. **Innovation Protection Cost:** The cost of protecting innovations, particularly patents, can be quite high. The license agreement should address who pays for all future costs. Costs incurred prior to licensing might be recovered as part of the initial license payment. It is also important to include language regarding management of innovation protection procedures. A

consequence of the licensee not meeting its requirements could be termination of the license agreement.

*Company shall pay future costs of the prosecution of the patent applications pending as set forth in **ARTICLE I**, Paragraph 2. Which are reasonably necessary to obtain a patent. Furthermore, Company will pay for the costs of filling, prosecuting and maintaining foreign counterpart applications to such pending patent applications, such foreign applications to be filed within ten (10) months prior to the filling date of the corresponding patent application.*

*Licensor shall own improvements by the inventors. Company shall pay future costs of preparation, filling, prosecuting and maintenance of patents and applications on patentable improvements made by inventors, however, in the event that Company refuses to file patent applications on such patentable improvements in (country) and selected foreign countries when requested by Licensor, the rights to such patentable improvements for said countries shall be returned to Licensor.*

*Preparation and maintenance of patent applications and patents undertaken at Company's cost shall be performed by patent attorneys selected by Licensor; and due diligence and care shall be used in preparing, filling, prosecuting, and maintaining such applications on patentable subject matter. Both parties shall review and approve any and all patent related documents.*

12. **Term of License:** This clause determines how long the license will remain in effect. If patents are licensed the term generally is for the life of the originally licensed patents and any subsequent patented improvements. Trademarks and copyright licensing may be for the protection term or shorter. After protection has expired the licensor cannot expect the Agreement to remain effective. After protection expiration the innovation becomes public property and anyone can use the innovation without permission of or payment to the former owner(s) of the innovation.

*Unless previously terminated as hereinbefore provided, the term of this Agreement shall be from and after the date hereof until the expiration of the last to expire of the licensed issued patents or patents to issue under the Licensed Patent Rights under **ARTICLE I** Company shall not be required to pay royalties due only by reason of its use, sale, licensing, lease or sublicensing under issued patents licensed by this Agreement that have expired or been held to be invalid by an Irrevocable Judgment, where there are no other of such issued patents valid and unexpired covering the Company's use, sale, licensing, lease or sublicensing; provided, however, that such non-payment of royalties shall not extend to royalty payments already made to Licensor more than six (6) months prior to Company's discovery of expiration or an Irrevocable Judgment.*

13. **Governing Law:** An organization preparing a License Agreement will have the Agreement under the control of its country's laws. This means that if there is a legal dispute or a problem caused by a breach of the Licensing Agreement the law applied to the dispute or breach would be the Governing Law. A Kenyan organization would have the laws of Kenya apply to the Licensing Agreement it writes, while the United States would have its law apply to the License Agreement. The organization licensing an innovation must abide by the licensor's country's laws, so the Kenyan law would govern one licensing from the Kenyan organization if there was a problem. The licensing organization has little chance in changing the

governing law clause, so if a Kenyan organization licensed an innovation from a United States organization United States law would govern the Kenyan group. It may be possible to negotiate for a neutral country's laws to apply to the License Agreement.

*This Agreement is executed and delivered in the country of \_\_\_\_\_ and shall be constructed in accordance with the laws of the Government of \_\_\_\_\_.*

14. **Warranty and Indemnification:** The licensor needs to protect itself at all times. Although it may have been granted protection via copyright, trademark, plant variety certification or patent, its absolute validity cannot be guaranteed. Therefore, the licensee should include in the license a statement that says it cannot provide an absolute guarantee that the innovation being licensed will be free of any infringement claims. Also, the licensor must protect itself from claims of the use of the licensed innovation. The licensor must protect itself from potential problems caused by poor workmanship, inferior materials or any other possible misuse of the licensed innovation. A portion of these clauses is written in a script quite different from the rest of the license text, in upper case letters in this section. This is to "forcefully" bring this matter to the attention of the licensee.

*No representations or warranties regarding patents of third parties. No representations or warranty is made by Licensor that the Licensed Patent Rights manufactured, used, sold or leased under the Exclusive License granted herein is or will be free of claims of infringement of patent rights of any other person or persons. The Licensor warrants that it has title to the Licensed Patent Rights from the inventors.*

*Indemnity. Company shall indemnify, hold harmless, and defend Licensor and its trustees, officers, employees and agents against any and all allegations and actions for death, illness, personal injury, property damage, and improper business practices arising out of the use of the Licensed Patent Rights.*

*Disclaimer of Warranty. Licensed Patent Rights is experimental in nature and it is provided WITHOUT WARRANTY OR REPRESENTATIONS OF ANY SORT, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OF NON-INFRINGEMENT. Licensor makes no representations and provides no warranty that the use of the Licensed Patent Rights will not infringe any patent or proprietary rights of third parties.*

15. **Dispute Resolution:** In many license agreements there is no dispute resolution or arbitration clause and any difficulties with the agreement are solved under the Governing Country Law clause. If such a clause is included it will be quite specific regarding the types of disputes reviewed, how they will be reviewed and where they will be reviewed. In some cases, this clause will used to name a different country, a neutral country, for dispute resolution. Most frequently Switzerland and Swiss law is cited as the site for dispute or arbitration resolution. Also see Appendix 1 for a detailed description of such a clause.
16. **Confidentiality:** Terms for confidentiality should be included in the License Agreement. The standard exceptions and a time limitation on confidentiality may be included. The terms for confidentiality need to apply to written as well as oral information. Visitors from either organization must be under confidentiality conditions when they visit meet or visit with each other. Many times a Confidential Disclosure Agreement will already in place as confidential information needed to be exchanges as the innovation was evaluated and the License

Agreement negotiated, so the necessity of an extensive confidentiality clause may not be necessary.

*Confidentiality. The parties agree to maintain discussions and proprietary information revealed pursuant to this agreement in confidence, to disclose them only to persons within their respective organizations having a need to know, and to furnish assurances to the other party that such persons understand this duty on confidentiality.*

## Sample Exclusive License Agreement

This Agreement is made and entered into by and between \_\_\_\_\_, with an office at \_\_\_\_\_ (hereinafter called Licensor) and \_\_\_\_\_, with an office at \_\_\_\_\_ (hereinafter called Company).

**WHEREAS**, Licensor has the right to grant licenses under the licensed patent rights (as hereinafter defined), and wishes to have the inventions covered by the licensed patent rights in the public interest; and

**WHEREAS** Company wishes to obtain a license under the licensed patent rights upon the terms and conditions hereinafter set forth:

**NOW, THEREFORE**, in consideration of the premises and the faithful performance of the covenants herein contained the parties agree to the following:

### ARTICLE I – DEFINITIONS

For the purpose of this Agreement, the following definitions shall apply:

1.1 “Licensed Patent Rights” shall mean:

- (a) Patent Application Serial No. \_\_\_\_\_ filed \_\_\_\_\_ by \_\_\_\_\_ . Or New Plant Variety registered and protected through \_\_\_\_\_.
- (b) Any and all improvements developed by Licensor, whether patentable or not, relating to the Licensed Patent Rights, which Licensor may now or may hereafter develop, own or control.
- (c) Any or all patents, which may issue on patent rights and improvements thereof, developed by Licensor and any and all divisions, continuations, continuations-in-part, reissues and extensions of such patents.

1.2 “Product(s)” shall mean any materials including plants and/or seeds, compositions, techniques, devices, methods or inventions relating to or based on the Licensed Patent Rights, developed on the date of this agreement or in the future.

1.3 “Net Sales” shall mean gross sales of Product(s) FOB place of manufacture of Products, less sales and/or use taxes, third party commissions, discounts, custom duties and shipping.

- 1.4 “Confidential Proprietary Information” shall mean with respect to any Party all scientific, business or financial information relating to such Party, its subsidiaries or affiliates or their respective businesses, except when such information:
- (a) Becomes known to the other Party prior to receipt from such first Party;
  - (b) Becomes publicly known through sources other than such first Party;
  - (c) Is lawfully received by such other Party from a party other than the first Party; or
  - (d) Is approved for release by written authorization from such first Party.
- 1.5 “Exclusive License” shall mean a license, including the right to sublicense, whereby Company’s rights are sole and entire and operate to exclude all others, including Licensor and its affiliates except as otherwise expressly provided herein.
- 1.6 “Know-how” shall mean any and all technical data, information, materials, trade secrets, technology, formulas, processes, and ideas, including any improvements thereto, in any form in which the foregoing may exist, now owned or co-owned by or exclusively, semi-exclusively or non-exclusively licensed to any party prior to the date of this Agreement or hereafter acquired by any party during the term of this agreement.
- 1.7 “Intellectual Property Rights” shall mean any and all inventions, materials, Know-how, trade secrets, technology, formulas, processes, ideas or other discoveries conceived or reduced to practices, whether patentable or not.
- 1.8 “Royalty (ies)” shall mean revenues received in the form of cash and/or equity from holdings from Company as a result of licensing and using, selling, making, having made, sublicensing or leasing of Licensed Patent Rights.

**ARTICLE II- GRANT OF EXCLUSIVE LICENSE**

- 2.1 Licensor hereby grants to Company the exclusive license with the right to sublicense others, to make, have made, use, sell and lease the Products described in the Licensed Patent Rights.
- 2.2 Licensor retains the right to continue to use Licensed Patent Rights in any way for non-commercial purposes.
- 2.3 It is understood by the Company that the Licensed Patent Rights were developed under \_\_\_\_\_ Grant No. \_\_\_\_\_. The \_\_\_\_\_ government has a non-exclusive royalty free license for governmental purposes. (This paragraph is optional. It only applies to government sponsored research innovations.)

**ARTICLE III - LICENSE PAYMENTS**

- 3.1 Initial payment and royalty rate. For the licensed herein granted:
- (a) Company agrees to pay a sign-up fee of \_\_\_\_\_ (\_\_\_\_\_).
  - (b) Company shall pay on earned royalty of \_\_\_\_\_percent (\_\_\_\_%) of Company’s Net Sales of Products and fifty percent (50%) of the sublicensing receipts.
  - (c) Company shall pay an annual royalty of \_\_\_\_\_ (\_\_\_\_\_ ) for each leased Product.

- 3.2 Sublicenses. The granting and terms of all sublicenses is entirely at Company's discretion provided that all sublicenses shall be subjected to the terms and conditions of this agreement.
- 3.3 Minimum royalty: Company will pay Licensor, when submitting their royalty report a minimum royalty of \_\_\_\_\_ (\_\_\_\_\_) annually.
- 3.4 When a sale is made: A sale of Licensed Patent Rights shall be regarded as being made upon payment for Products made using Licensed Patent Rights.
- 3.5 Payments: All sums payable by Company hereunder shall be paid to Licensor in the currency of the \_\_\_\_\_ or in U.S. dollars.
- 3.6 Interest: In the event any royalties are not paid as specified herein, then a compound interest of eighteen percent (18%) shall be due in addition to the royalties accrued for the period of default.

#### **ARTICLE IV – REPORTS, BOOKS AND RECORDS**

- 4.1 Reports. Within thirty (30) days after the end of the calendar quarter annual period during which this agreement shall be executed and delivered within thirty (30) days after the end of each following quarter annual period, Company shall make a written report to Licensor setting forth the Net Sales of Licensed Patent Rights sold, leased or used by Company and total sublicensing receipts during the quarter annual period. If there are no Net Sales or sublicensing receipts, a statement to that effect be made by Company to Licensor. At the time each report is made, Company shall pay to Licensor the royalties or other payments shown by such report to the payable hereunder.
- 4.2 Books and records. Company shall keep books and records in such reasonable detail as will permit the reports provided for in Paragraph 4.1 hereof to be determined. Company further agrees to permit such books and reports to be inspected and audited by a representative or representatives of Licensor to the extent necessary to verify the reports provided for in paragraph 4.1 hereof; provided, however, that such representative or representatives shall indicate to Licensor only whether the reports and royalty paid are correct, if not, the reasons why not.

#### **ARTICLE V - MARKING**

Company agrees to mark or have marked all Products made, used or leased by it or its Sublicensees under the Licensed Patent Rights, if and to the extent such markings shall be practical, with such patent markings as shall be desirable or required by applicable patent laws.

#### **ARTICLE VI – DILIGENCE**

- 6.1 Company shall use its best efforts to bring Licensed Patent Rights to market through a thorough, vigorous and diligent program and to continue active, diligent marketing efforts throughout the life of this agreement.
- 6.2 Company shall deliver to Licensor on or before \_\_\_\_\_, a business plan for development of Licensed Patent Rights, which includes number and kind of personnel involved, time budgeted and planned for each phase of development and other items as appropriate for the

development of the Licensed Patent Rights. Quarterly reports describing progress toward meeting the objectives of the business plan shall be provided.

- 6.3 Company shall permit an in-house inspection of Company facilities by Licensor on an annual basis beginning at \_\_\_\_\_ .
- 6.4 Company failure to perform in accordance with either paragraph 6.1, 6.2 or 6.3 of this **ARTICLE VI** shall be grounds for Licensor to terminate this agreement.

#### **ARTICLE VII - IRREVOCABLE JUDGEMENT WITH RESPECT TO VALIDITY OF PATENTS**

If a judgment or decree shall be entered in any proceeding in which the validity or infringement of any claim of any patent under which the License is granted hereunder shall be in issue, which judgment or decree shall become not further reviewable though the exhaustion of all permissible applications for rehearing or review by a superior tribunal, or through the expiration of the time permitted for such application, (such a judgment or decree being hereinafter referred to as an irrevocable judgment) the construction placed on any such claim by such irrevocable judgment shall thereafter be followed not only as to such claim, but also as to all claims to which such instruction applies, with respect to acts occurring thereafter and if an irrevocable judgment shall hold any claim invalid, Company shall be relieved thereafter from including in its reports hereunder that portion of the royalties due under **ARTICLE III** payable only because of such claim or any broader claim to which such irrevocable judgment shall be applicable, and from the performance of any other acts required by this agreement only because of any such claims.

#### **ARTICLE VIII – TERMINATION OR CONVERSION TO A NON-EXCLUSIVE LICENSE**

- 8.1 Termination by Company: Company may, at its option, terminate the license granted by this Agreement, provided Company shall not be in default hereunder, by giving Licensor ninety (90) days notice to its intention to do so. If such notice shall be given, then upon the expiration of such ninety (90) days the termination shall become effective; but such termination shall not operate to relieve Company from its obligation to pay royalties or to satisfy any other obligations, accrued hereunder prior to the date of such termination.
- 8.2 Termination by Licensor: Licensor may, at its option, terminate the license granted by this Agreement if Company is in default in the payment of any royalties required to be paid by Company to Licensor hereunder or if:
- (a) Default in the making of any reports required hereunder and such default shall continue for a period of thirty (30) days after Licensor shall have given to Company a written notice of such default.
  - (b) Default in the performance of any other material obligation contained in this agreement on the part of Company to be performed and such default shall continue for a period of thirty (30) days after Licensor shall have given to Company written notice of such default.
  - (c) Adjudication that Company is bankrupt or insolvent.
  - (d) The filing by Company of a petition of bankruptcy, or a petition or answer seeking reorganization, readjustment or rearrangement of its business or affairs under any law or governmental regulation relating to bankruptcy or insolvency.

- (e) The appointment of a receiver of the business or for all or substantially all of the property of Company; or the making by Company of assignment or an attempted assignment for the benefit of its creditors; or the institution by Company of any proceedings for the liquidation or winding up of its business or affairs.
- 8.3 Effect of termination: Termination of this agreement shall not in any way operate to impair or destroy any of Company's or Licensor's right or remedies, either at law or in equity, or to relieve Company of any of its obligations to pay royalties or to comply with any other of the obligations hereunder, accrued prior to the effective date of termination.
- 8.4 Effect of delay: Failure or delay by Licensor to exercise its rights of termination hereunder by reason of any default by Company in carrying out any obligation imposed upon it by this agreement shall not operate to prejudice Licensor's right of termination for any other subsequent default by Company.
- 8.5 Option of Company to convert to non-exclusive license: Company shall have the right to convert this License to a Non-exclusive License at the same royalty rate as for the Exclusive Company, without right to sublicense and minimum royalties under ARTICLE III, Paragraph 3. 3 shall not be due thereafter.
- 8.6 Return of Licensed Patent Rights: Upon termination of this agreement, all of the Licensed Patent Rights shall be returned to Licensor. In the event of termination of the agreement by Company or said conversion of the agreement by Company, Company shall grant to Licensor a non-exclusive, royalty- free License, with right to sublicense, to manufacture, use and sell improvements including all known-how to Licensed Patent Rights made by Company during the period of this agreement prior to the termination or conversion, to the extent that such improvements are dominated by or derived from the Licensed Patent Rights.

#### **ARTICLE IX – TERM**

Unless previously terminated as hereinbefore provided, the term of this Agreement shall be from and after the date hereof until the expiration of the last to expire of the licensed issued patents or patents to issue under the Licensed Patent Rights under **ARTICLE I**. Company shall not be required to pay royalties due only by reason of its use, sale, licensing, lease or sublicensing under issued patents licensed by this Agreement that have expired or been held to be invalid by an Irrevocable Judgment, where there are no other of such issued patents valid and unexpired covering the Company's use, sale, licensing, lease or sublicensing; provided, however, that such non-payment of royalties shall not extend to royalty payments already made to Licensor more than six (6) months prior to Company's discovery of expiration or an Irrevocable Judgment.

#### **ARTICLE X - PATENT LITIGATION**

- 10.1 Initiation. In the event that Licensor advises Company in writing of a substantial infringement of the patents/copyrights included in the Licensed Patent Rights, Company may, but is not obligated to, bring suit or suits through attorneys of Company's selection with respect to such infringement. In the event Company fails to defend any declaratory judgment action brought against any patent or patents of the Licensed Patent Rights, Licensor on written notice to Company may terminate the License as to the particular patent or patents involved in such declaratory judgment action.

- 10.2 Expenses and proceeds of litigation. Where a suit or suits have been brought by Company, Company shall maintain the litigation at its own expense and shall keep any judgments and awards arising from these suits expecting that portion of the judgments attributable to royalties from the infringer shall be divided equally between Licensor and Company after deducting any and all expenses of such suits; provided, however, Licensor shall not be entitled to receive more under this provision than if the infringer had been licensed by Company.
- 10.3 Licensor's right to sue. If Company shall fail to commence suit on an infringement hereunder within one (1) year after the receipt of Licensor's written request to do so. Licensor in protection of its reversionary rights shall have the right to bring and prosecute such suits at its cost and expense through attorneys of its selection, in its own name, and all sums received or recovered by Licensor in or by reason of such suits shall be retained by Licensor; provided, however, no more than one lawsuit at a time shall commence in any such country.

#### **ARTICLE XI – PATENT FILLINGS AND PROSECUTING**

- 11.1 Company shall pay future costs of the prosecution of the patent applications pending as set forth in **ARTICLE I**, Paragraph 2. which are reasonably necessary to obtain a patent. Furthermore, Company will pay for the costs of filling, prosecuting and maintaining foreign counterpart applications to such pending patent applications, such foreign applications to be filed within ten (10) months prior to the filing date of the corresponding patent application.
- 11.2 Licensor shall own improvements by the inventors. Company shall pay future costs of preparation, filling, prosecuting and maintenance of patents and applications on patentable improvements made by inventors, however, in the event that Company refuses to file patent applications on such patentable improvements in (country) and selected foreign countries when requested by Licensor, the rights to such patentable improvements for said countries shall be returned to Licensor.
- 11.3 Preparation and maintenance of patent applications and patents undertaken at Company's cost shall be performed by patent attorneys selected by Licensor; and due diligence and care shall be used in preparing, filling, prosecuting, and maintaining such applications on patentable subject matter. Both parties shall review and approve any and all patent related documents.
- 11.4 Company shall have the right to, on thirty (30) days written notice to Licensor, discontinue payment of its share of the prosecution and/or maintenance costs of any of said patents and/or patent applications. Upon receipt of such written notice, Licensor shall have the right to continue such prosecution and/or maintenance on its own name at its own expense in which event the License shall be automatically terminated as to the subject matter claimed in said patents and/or applications.
- 11.5 Notwithstanding the foregoing paragraph of this **ARTICLE XI**, Company's obligations under such paragraphs shall continue only so long as Company continues to have an Exclusive License under the Licensed Patent Rights and, in the event of conversion of the License to non-exclusive in accordance with **ARTICLE VIII**, paragraph 8.1.(b), after the date of such conversion:

- (a) The costs of such thereafter preparation, filing, prosecuting and maintaining of said Licensed patents and patent applications shall be the responsibility of Licensor, provided such payments are at the sole discretion of the Licensor; and
- (b) Company shall have a non-exclusive License without right to sublicense under those of such patents and applications under which Company had an Exclusive License prior to the conversion.

#### **ARTICLE XII – NOTICES, ASSIGNEES**

- 12.1. Notices. Notices and payments required hereunder shall be deemed properly given if duly sent by first class mail and addressed to the parties at the addresses set forth above. The parties hereto will keep each other advised of address changes.
- 12.2. Assignees. This Agreement shall be binding upon and shall inure to the benefit of the assigns of Licensor and the successors of the entire business of the Licensor, but neither this agreement nor any of the benefits thereof nor any rights thereunder shall, directly or indirectly, without the prior written consent of Licensor, be assigned, divided, or shared by or with any other party or parties.

#### **ARTICLE XIII – MISCELLANEOUS**

- 13.1 This Agreement is executed and delivered in the country of \_\_\_\_\_ and shall be constructed in accordance with the laws of the Government of \_\_\_\_\_.
- 13.2 No other understanding. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter thereof and merges all prior discussions between them.
- 13.3 No representations or warranties regarding patents of third parties. No representations or warranty is made by Licensor that the Licensed Patent Rights manufactured, used, sold or leased under the Exclusive License granted herein is or will be free of claims of infringement of patent rights of any other person or persons. The Licensor warrants that it has title to the Licensed Patent Rights from the inventors.
- 13.4 Indemnity. Company shall indemnify, hold harmless, and defend Licensor and its trustees, officers, employees and agents against any and all allegations and actions for death, illness, personal injury, property damage, and improper business practices arising out of the use of the Licensed Patent Rights.
- 13.5 Insurance. During the term of this agreement, Company shall, maintain the following insurance coverage:
  - (a) Commercial general liability with a limit of no less than one million U.S. dollars (U.S.\$1,000,000.00, option) each occurrence.
  - (b) Professional liability of no less than one million U.S. dollars (U.S.\$1,000,000.00, option) each occurrence.
  - (c) Workers' compensation consistent with statutory requirements. Certificates of insurance shall be provided to Licensor upon request and shall include the provision for 30-day notification to the certificate holder of any cancellation or material alteration in the coverage.

- 13.6 Advertising. Company agrees that Company may not use in any way the name of Licensor or any logotypes or symbols associated with Licensor or the names of any researchers without the express written permission of Licensor.
- 13.7 Confidentiality. The parties agree to maintain discussions and proprietary information revealed pursuant to this agreement in confidence, to disclose them only to persons within their respective organizations having a need to know, and to furnish assurances to the other party that such persons understand this duty on confidentiality.
- 13.8 Disclaimer of Warranty. Licensed Patent Rights is experimental in nature and it is provided WITHOUT WARRANTY OR REPRESENTATIONS OF ANY SORT, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OF NON-INFRINGEMENT. Licensor makes no representations and provides no warranty that the use of the Licensed Patent Rights will not infringe any patent or proprietary rights of third parties.

In witness whereof, the parties hereto have caused this agreement to be executed by their duly authorized representatives.

The effective date of this agreement is \_\_\_\_\_, 20\_\_\_\_.

LICENSOR \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

COMPANY \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## Homework

**Agreement review:** Knowing what items should and should not be in an agreement is important, but as equally important is being able to read terms to detect items for rejection or negotiation. This portion of the exercise will provide limited term review and rewriting experience. Below are several paragraphs that may or may not be acceptable under the conditions of an organization's policies and/or country's laws. Please review each of the agreements or pieces of agreements to determine if each is acceptable or not acceptable. Circle or underline any statement that appears to be a problem and place a number in the margin nearest the mark. At the end of the document at the appropriate numbered area describe what is wrong with the statement and then rewrite this statement in a format acceptable to your institution. See the example below:

**Example:** “The term of this Confidentiality Agreement shall be for 25 years” is the statement. The objectionable part is now underlined: “The term of this Confidentiality Agreement shall be for 25 years”. The number “1” is placed in the margin. At the end of the document after 1, write the term of 25 years is too long; I would rewrite it to read “3 years”.

“The term of this Confidentiality Agreement shall be for 25 years”            1

1. *The term of 25 years is too long. I would change the statement so the term would read “3 years”.*

The organization you are working for has a policy which protects the ORGANIZATION's and its employees' intellectual property rights. These rights are summarized below:

1. Each employee will have the right to publish his/her research results after review by the ORGANIZATION's technology transfer office.
2. Employee innovations belong to ORGANIZATION.
3. Employees must not discuss with any one not an employee of the ORGANIZATION any of their research results or the details of their research projects without written permission from their supervisor.
4. Employees are allowed to consult only after work and on weekends.
5. Employees must have their supervisor's written permission to consult.
6. Employees are not to use any of the ORGANIZATION's facilities for consulting.
7. ORGANIZATION has full ownership of any and all intellectual properties developed by employees during work hours.
8. Employees listed as innovators will receive an annual royalty not to exceed \$5,000 U.S.
9. Employees may start a company, but the company is not to use ORGANIZATION's facilities.
10. Any employee starting his/her own company must fully disclose this to a supervisor and receive written permission from that supervisor after the supervisor is satisfied there are no conflicts of interest for the employee.
11. No department or institute of the company may commercially produce any innovations developed by their employees.

Words, which were defined in the Definition Section of an agreement, are capitalized in the excerpts.

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### **Paragraph 1**

ORGANIZATION warrants that it has title to the Licensed Patent Rights from the inventors. ORGANIZATION represents and warrants that the Licensed Patent Rights manufactured, used, sold or leased under this Exclusive License herein are and will be free of claims of infringement of patents rights of any other person or persons.

---

Comments:

- 1.
  - 2.
  - 3.
- 

## Paragraph 2

Here's a letter just received from a company employee:

*Dear Director of Technology Transfer:*

*I am writing this letter to inform you of my planned activities for the next two years. I am very excited about these activities and I know they will benefit me immensely.*

*Over the past year I have developed a new vaccine in my ABC laboratory, which will cure and/or prevent several serious diseases, including mad cow disease, in a number of animals. I have done all the necessary testing to show that it has no adverse effects on animals or humans. I have taken this idea to a patent attorney who is now preparing a patent application for me. I have talked to several companies about this new vaccine and several are willing to help pay for foreign patenting. Only two persons in the laboratory or the Institute know that I have made this discovery and am patenting it.*

*Next week I will be meeting with an attorney who will help me set up a new company which will manufacture the new vaccine. I will be the owner of this company. In order to keep company costs down I will be using my laboratory at ABC to manufacture the vaccine. I may ask several of my fellow researchers or some of the technicians to help make the vaccine when I have large orders to fill. Of course, I would do this mainly in the evening or late afternoon so it wouldn't interfere with my other research efforts. Eventually, probably two years from now, I will set up an independent laboratory outside ABC. When I do set up this laboratory I will borrow some of the equipment from my ABC laboratory because it is just too expensive for me to buy, besides we seldom use this equipment. This use of equipment will justify my earlier purchase of this equipment for the ABC laboratory.*

*I would like to make one request. Could Dr. A.K. Halli, who works in my laboratory, be moved to another laboratory? His work sometimes interferes with my vaccine research and manufacturing. If he were moved to another laboratory I would be able to accomplish more. Your assistance in this matter will be most appreciated.*

*When I begin developing labels and descriptive materials for the vaccine, next year, I will need additional funds. If I continue to use my research funds to support this effort I will not be able to support two of my technicians. These technicians are important in the manufacture of the vaccine. It would be appreciated if ABC increased the level of my laboratory funding so I can continue to support these two technicians.*

*Please visit my laboratory any time if you would like to learn more about my exciting times and about the new vaccine. I will be happy to also show you how I have ingeniously modified laboratory equipment so it can be dedicated to vaccine production.*

*Sincerely yours,*

*Dr. M. Alladin*

---

Now that you have this letter what are you going to do? Before seeing Dr. Alladin you should make a list of policy violations. Then you need a plan to show him how he has to work with ARC if he wishes to commercialize the vaccine. Who else besides Dr. Alladin will you talk to about this matter? When will you talk to them, before or after you talk to Dr. Alladin? What will you tell these people? What do you expect them to do?

**List of policy violations:**

---

**Paragraph 3**

ORGANIZATION is licensing an innovation.

Assignment of Rights. Licensee (ORGANIZATION) shall assign, and shall cause its employees to assign to Licensor all right, title and interest to any and all Improvements. Licensee agrees to perform any acts and execute, at Licensor's expense, any and all papers and instruments that Licensor considers reasonably necessary to perfect and protect Licensor's right, title and interest in and to all Improvements.

---

**Comments:**

- 1.
  
  - 2.
  
  - 3.
-

#### **Paragraph 4**

The Licensee shall determine on its own the continuation of the prosecution of a patent application, the payment of patent maintenance fees, or the defense of a reexamination or opposition proceeding on a Licensor patent.

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#### **Comments:**

- 1.
- 2.
- 3.

#### **Review of laws, policies and customs affecting License Agreements in the participant's country and organization.**

*For this part of the exercise use the Sample License Agreement.*

- a. List any laws of your country that would impact the License Agreement.
- b. List any organizational policies that would impact the License Agreement.
- c. List any customs (country, regional, and/or organizational) that would impact the License Agreement.
- d. Using the sample License Agreement, the one with numbered paragraphs, list the terms/conditions impacted by the laws (a), organizational policies (b) and customs (c).
- e. Using the sample License Agreement rewrite each impacted term/condition so it complies with laws, organizational policy and customs.
- f. Prepare a "model" License Agreement for use by your organization that can serve as a base for licensing the organization's innovations.

#### **Comments on Section A of the Homework.**

**Paragraph 1.** The Licensee is asking for something one cannot provide – the promise that there will never be any infringement proceedings against any of the licensed patents. If one wanted to make this type of warranty it would need to do an exhaustive search of the patent literature with those very experienced in the patent field. A search of this type would be very costly. It is better not to accept their language and rewrite the clause as done below. In one prolonged license negotiation this was area of contention. The potential licensee had agreed to all the financial obligations and even had

agreed to support more than a million dollars (U.S.) worth of research over the next four years. Because agreement on this area could not be researched the licensing deal collapsed.

ORGANIZATION warrants that it has title to the Licensed Patent Rights from the inventors. ORGANIZATION makes no representations and provides no warranty that the use of the Licensed Patent Rights will not infringe any patent or proprietary rights of third parties.

**Paragraph 2.** What this individual plans to do and what he has done is against the ORGANIZATION's policy. It violates the policy many times. The hardest part of this is telling the letter writer about these violations and what must be done before he can start his business with this innovation.

**Paragraph 3** According to the ORGANIZATION's policy all innovations made by its employees belong to the ORGANIZATION. In order for the ORGANIZATION to be in compliance with its policy it cannot assign the rights to any innovation to the Licensor. What the ORGANIZATION can do is retain the right of ownership for each new innovation, protect each innovation in its name and give the Licensor an exclusive license to each new innovation. Rewriting of this clause to make it acceptable to the Licensor may be somewhat difficult.

Assignment of Rights. Licensee (ORGANIZATION) shall retain the assignment of each new Improvement, and shall cause its employees to assign to Licensee all right, title and interest to any and all Improvements. Licensee agrees to perform any acts and execute, at Licensor's expense, any and all papers and instruments which Licensor considers reasonably necessary to perfect and protect Licensor's interest in and to all Improvements. Licensee shall provide Licensor an exclusive, no cost license to each new Improvement reserving the right to continue to use such Improvement for noncommercial purposes.

**Paragraph 4.** The Licensee should not be able to make such decisions with the ORGANIZATION's innovation. The ORGANIZATION must make these decisions. Rewriting this clause will be simple because all one needs to do is change "Licensee" to "Licensor".

The Licensor shall determine on its own the continuation of the prosecution of a patent application, the payment of patent maintenance fees, or the defense of a reexamination or opposition proceeding on a Licensor patent.

## Appendix 1

The following is one version of a Dispute Resolution clause used in a license agreement. This particular clause is very detailed and describes the responsibilities of all parties in great detail.

1. **Disputes:** The parties recognize that bona fide dispute as to certain matters may from time to time arise during the term of this Agreement, which relate to any party's rights and/or obligations hereunder or thereunder. In the event of the occurrence of such dispute, any party may, by written notice to the other, have such dispute referred to their respective officer designated below or their successors, for attempted resolution by good faith negotiations within thirty (30) days after such notice is received. Said designated officers are as follows:

For Licensor:

For Company:

In the event the designated officers are not able to resolve such dispute within such thirty (30) day period, any party may invoke the provisions of paragraph 2. below within such thirty (30) day period.

2. **Alternative Dispute Resolution:** Any dispute, controversy or claim arising out of or relating to the validity, construction, enforceability or performance of this Agreement, shall be settled by binding Alternative Dispute Resolution ("ADR") in the manner described below:
  - (a) If a party intends to begin ADR to resolve a dispute, such party shall provide written notice (the "ADR Request") to counsel for the other party informing such other party of such intention and the issues to be resolved.
  - (b) Within ten (10) business days after the receipt of the ADR Request, the other party may, by written notice to counsel for the party initiating ADR, add additional issues to be resolved and may add as a party to the ADR any other party to this provision. Within twenty (20) business days following the receipt of the ADR Request a neutral shall be selected by the then-President of the Center for Public Resources ("CPR"), 680 Fifth Avenue, New York, New York 10019. The neutral shall be an individual who shall preside in resolution of any disputes between the parties. The neutral selected shall be a member of the Judicial Panel of the CPR and shall not be an employee, director or shareholder of any party or of an Affiliate of either party or any competitor of either party. Either party shall have ten (10) business days from the date the neutral is selected to object in good faith to the selection of that person. If any party makes such an objection, the then-President of the CPR shall, as soon as possible thereafter, elect another neutral under the conditions set forth above. The second selection shall be final.
  - (c) No later than ninety (90) business days after selection, the neutral shall hold a hearing to resolve each of the issues identified by the parties and shall render the award as expeditiously thereafter as possible but in no event more than thirty (30) days after the close of hearings. In making the award the neutral shall rule on each disputed issue and shall adopt in whole or in part the proposed ruling of one of the parties on each disputed issue.
  - (d) It is the intention of the parties that discovery, although permitted as described herein, will be extremely limited except in exceptional circumstances. The neutral shall permit such

limited discovery necessary for an understanding of any legitimate issue raised in the ADR, including the production of documents. Each party shall be permitted but not required to take the deposition of not more than five (5) persons, each such deposition not to exceed six (6) hours in length. If the neutral believes that exceptional circumstances exist, and additional discovery is necessary for a full and fair resolution of the issues, he or she may order such additional discovery as he or she deems necessary. At the hearing the parties may present testimony (either by live witness or deposition) and documentary evidence. The hearing shall be held at such place as agreed upon by the parties or if they are unable to agree at a place designated by the neutral. Each party shall have the right to be represented by counsel. The neutral shall have sole discretion with regard to the admissibility of any evidence and all other matters relating to the conduct of the hearing. The neutral shall, in rendering his or her decision, apply the substantive law of New York if the ADR is requested by Company and Michigan if the ADR is requested by Licensor without giving effect to any rules or laws relating to arbitration. The decision of neutral shall be final and not appealable, except in cases of fraud or bad faith on the part of the neutral or any party to the ADR proceeding in connection with the conduct of such proceedings.

- (e) At least fifteen (15) business days prior to the date set for the hearing, each party shall submit to the other party and the neutral a list of all documents on which such party intends to rely in any oral or written presentation to the neutral and a list of all witnesses, if any, such party intends to call at such hearing and a brief summary of each witness's testimony. At least five (5) business days prior to the hearing, each party must submit to the neutral and serve on the other party a proposed ruling on each issue to be resolved. Such writing shall be limited representing the proposed rulings, shall contain no argument or analysis of the facts or issues, and shall be limited to no more than fifty (50) pages. Not more than five (5) business day following the close of hearings, the parties may each submit post hearing briefs to the neutral addressing the evidence and issues to be resolved. Such post hearing briefs shall not be more than ten (10) pages.
3. **Costs and Fees.** The neutral shall determine the proportion in which the parties shall pay the costs and fees of the ADR. Each party shall pay its own costs (including, without limitation, attorneys fees) and expenses in connection with such ADR.
4. **Confidentiality.** The ADR proceeding shall be confidential and the neutral shall issue appropriate protective orders to safeguard each party's Confidential Information. Except as required by law, no party shall make (or instruct the neutral to make) any public announcement with respect to the proceedings or decision of the neutral without the prior written consent of the other party. The existence of any dispute submitted to ADR, and the award of the neutral, shall be kept in confidence by the parties and the neutral, except as required in connection with the enforcement of such award or as otherwise required by applicable law.
5. **Award.** Any judgment upon the award rendered by the neutral may be entered in any court having jurisdiction thereof and shall be final and binding.

## Appendix 2

### Sample Option to License Agreement

This Agreement is made and entered into between the \_\_\_\_\_, a research establishment under \_\_\_\_\_ laws (hereinafter “**Grantor**”) having its principle office at, \_\_\_\_\_ and, \_\_\_\_\_ a company organized under the laws of \_\_\_\_\_ (hereinafter “**Grantee**”), having its principle office at \_\_\_\_\_.

1. Grant of Option. In consideration of payment of the Option Price by the **Grantee** to the **Grantor**, receipt of which the **Grantor** acknowledges, the **Grantor** grants the **Grantee** an exclusive option to obtain a license from the **Grantor** to the Optioned Rights, in accordance with this Option Agreement.
2. Definitions.
  - a. Option Price means that amount which the **Grantor** and the **Grantee** agree shall be paid for the Optioned Rights within the Term. The Option Price shall be \_\_\_\_\_ (\_\_\_\_\_)
  - b. Optioned Rights means the intellectual property herein described as: \_\_\_\_\_
  - c. Term means that period of time which **Grantor** and **Grantee** agree shall allow **Grantee** to evaluate the Optioned Rights. The Term shall be \_\_\_\_\_ to \_\_\_\_\_.
3. Exercise of the Option. The **Grantee** may exercise its option at any time prior to expiration of the Term by giving written notice signed by the **Grantee** to the **Grantor** at its address stated above. The notice must be personally delivered or postmarked before the expiration of the Term.
4. Confidentiality. The parties agree to maintain discussions and proprietary information revealed pursuant to the Option Agreement in confidence, to disclose them only to persons within their respective companies having a need to know, and to furnish assurances to the other party that such persons understand this duty of confidentiality.
5. Conditions to License. In the event the **Grantee** elects to exercise its option, execution of a license agreement, fulfillment of the following conditions to license shall occur within thirty (30) days after the **Grantor** receives the notice that the **Grantee** is exercising the option. The **Grantee** shall pay to the **Grantor** the following amount and meet the following requirements at the time it enters into a license agreement with the **Grantor**:

- a. Pay an initial license fee of \_\_\_\_\_ ( ) and a royalty rate not to exceed \_\_\_\_\_ percent ( %) of the net sales of Products (as defined in the License Agreement), and
  - b. Provide the **Grantor** with a preliminary business plan acceptable to the **Grantor** that describes the steps proposed by the **Grantee** to commercialize the Optioned Rights.
6. Terms of License. Terms and conditions of the license agreement will be negotiated in good faith so as to result in a license acceptable to both parties substantially in the form of Exhibit A.
7. Failure to Exercise Option or to Close. If the **Grantee** fails to exercise its option properly before expiration of the Term or fails to meet the conditions to license and enter into a license within the time allowed, this Option Agreement shall terminate and the **Grantor** may retain the Option Price and shall have no further obligation to the **Grantee**.
8. Assignment. This Option Agreement shall bind and benefit the parties' successors and assigns. Neither party may assign rights under this Option Agreement without the prior written consent of the other party.
9. Entire Agreement; Amendment. This Option Agreement contains the entire agreement of the parties with respect to the transaction described in this Option Agreement, and no prior or simultaneous oral or other written representations or promises shall be a part of this Agreement or otherwise effective. This Option Agreement may not be amended or released, in whole or in part, except by a document signed by both parties.
10. Indemnity. **Grantee** shall indemnify, hold harmless, and defend **Grantor** and its trustees, officers, employees and agents against any and all allegations and actions for death, illness, personal injury, property damage, and improper business practices arising of the Optioned Rights.
11. Warranty. Optioned Rights is experimental in nature and it is provided WITHOUT WARRANTY OR REPRESENTATIONS OF ANY SORT, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OF NON-INFRINGEMENT. **Grantor** makes no representations and provides no warranty that the use of the optioned Rights will not infringe any patent or proprietary rights of third parties.
12. Interpretation. The paragraph headings used in this Option Agreement are provided for convenience of reference only and shall not be used to interpret the provisions of this Option Agreement. In the event any provision of this Option Agreement proves to be illegal or unenforceable, the remaining provisions of this Option Agreement shall be interpreted as if such illegal or unenforceable provision were not a part of this Option Agreement.
13. Law. This Option Agreement is executed and delivered in the \_\_\_\_\_ and shall be constructed in accordance with the laws of the Government of \_\_\_\_\_.

To evidence their agreement to the foregoing terms and conditions, the **Grantor** and the **Grantee** have executed this Option Agreement below.

**Grantor:** \_\_\_\_\_

**Grantee:** \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

*The author again wishes to emphasize that the agreements presented in this Workbook are approved for use in the United States only and should not be used as presented here in any other country. Intellectual Property laws vary throughout the world and terms in an agreement acceptable in the United States may not be acceptable elsewhere. It is very important for each type of agreement to be in accordance with the laws of the country in which the agreement is to be used. It is also important for every agreement to be reviewed and approved by an attorney knowledgeable in intellectual property matters.*

# Chapter 8

## Negotiation

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### Introduction

Whenever one deals in the area of intellectual properties agreements are put forward to protect the innovators and owners of the intellectual properties. These agreements have terms and conditions that apply to the organizations' using or, perhaps under research sponsorship arrangements, generating these intellectual properties. The users or research organizations have intellectual policies in place which may conflict with some of these agreement terms or the user/research organization may not like some of the agreement terms. In order to correct and/or change these terms the parties must discuss and possibly change these points of contention. These discussions are called negotiations.

For most individuals the negotiation process is not unknown or uncommon. Prices for various goods can be negotiated, as well as for other commodities such as vehicles. Bartering for goods is another form of negotiation. In intellectual property negotiations the items negotiated are words; the meanings and implications of words and phrases. These words control ownership, use, time, money and many other ingredients found in agreements.

### Discussion

In intellectual property negotiation one needs to be concerned about both negotiating parties. In general when one negotiates he/she only is concerned about him/her and wants the best "deal" and it's too bad if the other party loses. Not so in intellectual property negotiation. Both parties want to get the best "deal" they can get for their organizations, but a "big" win for one party may actually result in a loss for that same party if the conditions are such that negotiation loser cannot meet its obligations in regard to agreement terms. For example, getting large financial payments in a licensing deal may result in preventing the licensee from making a profit. If the licensee cannot make a profit it will abandon the innovation. If the innovation is abandoned then no royalties will be paid to the licensor. The licensor that "won" the financial payments negotiation actually loses because the product is abandoned is not licensed and may require considerable legal assistance to get the innovation back so it can be relicensed. Accepting a smaller financial award may have allowed the licensee to make a profit so the licensee would have continued to sell the innovation and pay royalties to the licensor. One needs to be sure that the negotiated deal will really satisfy both parties. Neither party may be fully satisfied, but both can "live" with the results and both will benefit over the long run. This situation where each party "gives" on certain points and agreement can be reached is called a "Win-Win" arrangement.

In some cases it is not possible to reach a satisfactory result. If this happens the agreement is abandoned and each party leaves the negotiation table. Not reaching agreement happens more frequently in research and licensing arrangements than in materials transfer and confidential disclosure agreement negotiations. By looking for alternative and creative ways to handle certain situations most agreements should be successfully negotiated.

Here are some comments regarding negotiation that are interesting. These comments were in a newspaper article by Rhonda Abrams. She is also the author of *The Successful Business Plan: Secrets and Strategies*. A few changes have been made to better reflect the application of these suggestions to intellectual property negotiation.

When dealing with intellectual property agreements most activity is hoped to be part of an ongoing relationship, there is the expectation that this will be a repeat customer, a customer in the future. If a negotiation hurts one of the parties it is very unlikely that the hurt party will not want to do business again with the other party. The worst-case scenario would be striking a deal which eventually puts one of the parties out of business. Both sides want a good deal, but they also have an interest in making certain the other side gets a fair deal too. It may be necessary to change one's attitude in order to reach a good deal through negotiation. Here are some of the changes that may be necessary to make prior to and during negotiation:

1. Think of negotiation as problem-solving because both sides have needs.
2. Don't think of the other side as your "opponent". If you negotiate to "beat" the other party, you are probably negotiating against yourself as well.
3. Don't let minor problems become a major problem. Listen carefully to the other party, offhand remarks can be really important.
4. Know what you want before you begin negotiating. By knowing what you want you will be better able to know if you get "off-track". Know your goals and objectives; don't add new ones as you negotiate.
5. Deal with your emotions elsewhere, not at the negotiating table. You must be able to think clearly, getting entangled with your emotions may prevent you from thinking clearly.
6. Hire a good attorney, one who knows this field, and **listen** to the attorney. The attorney will give you good advice because he/she wants you to hire him/her again too.
7. If you are serious about the negotiation avoid "mutual destruction". This is where one of you just quits, neither party wins. Before pulling out of the negotiations review your goals and objectives.

## Homework

At the end of many of the chapters of this Workbook are clauses from agreements that may or may not be acceptable. The reader is asked to review these clauses to determine their acceptability and suggest changes to make them acceptable. The paragraph below is an example of such a paragraph and the author's suggested means of handling this clause. For this exercise review these clauses at the ends of the various chapters and list the points for negotiation and provide alternative "give and take" conditions to be used in negotiation.

The following is a clause from a research agreement:

*You and your institution hereby expressly agree to grant Sponsor an exclusive, worldwide license to exploit for any purpose, including commercial purposes, your and your institution's rights in any invention, know-how, or other proprietary technology which is conceived or*

*reduced to practice in the course of research using the Research Material(s) provided hereunder and which relates to the Research Material(s), such license to be granted under commercially reasonable terms, provided that the consideration for such license shall not exceed a royalty of 2% of net sales of products that are covered by the claim(s) of any valid patent(s) covering such invention, know-how, or other proprietary technology.*

The following is the author's suggested manner of handling this clause:

This paragraph is marginally acceptable; of course, the organization's intellectual property policy would need to be reviewed to determine if the paragraph is acceptable. In this case the sponsor doesn't want ownership of the new technology only the exclusive right to use it commercially. The royalty rate might be too low. It might be necessary to discuss this with supervisors to determine if exceptions would be made to accept the limitation to royalties. The organization needs to add a sentence that reserves the right to continued use of the materials by the organization. This sentence would read: "The Sponsor grants to you and your institution the right to use such licensed materials for research and other such purposes." Or, if the Sponsor doesn't want anyone to commercialize the sentence could read: "The Sponsor grants to you and your institution the right to use such licensed materials for research and other such purposes excepting commercialization of such research or other such purposes."

The following are the author's suggested negotiation points and alternative "give and take" conditions:

*Negotiation Points*

1. The exclusive worldwide license.
2. Exploration for any purpose.
3. Royalty rate.
4. Reservation of certain rights to innovator's organization.

*Alternative conditions*

1. Exclusive licensee only in countries where licensee's related patents are valid.
2. Limited exploration, exploration in only in the areas that are covered by licensee's related patents. Exploration areas outside the patent coverage subject to other conditions, i.e., royalties.
3. Royalty rates to vary depending on the application of the innovation. Royalty rate not to exceed five percent (5%) for any application.
4. Research rights available for the innovator's organization.

## **Exercise:**

The following materials were developed for a negotiation exercise with a class of intellectual property management students. Review these materials and then take the side of the industrial representative and determine what points you would negotiate if you wanted to license the technology – consider type of license, front end payment, royalties, effort needed to get the product to market, your company, etc. Next take the position of the university licensing representative; what would you want in the license in regard to a front-end payment, royalties, due diligence requirements, etc. If possible get someone to work with you on this exercise. If possible share your experiences on this exercise with the author. There are four different pieces to the Exercise: 1) a description of the invention, 2) a terms sheet for a license – the terms were developed by the University, 3) a description of the University and 4) a description of the potential licensee company.

## AVAILABLE FOR LICENSE

- Title:** Method for producing vanillin from lignin-containing paper pulp waste using a genetically modified *Bacillus* sp.
- Status:** U.S. Patent application filed 28 November 2002. PCT application in preparation and this application will be filed by 31 March 2003.
- Description:** A genetically modified *Bacillus* sp. bacterium when incubated in a solution containing lignin-containing paper pulp waste and under specific temperature and light conditions produces a commercially viable vanillin.
- All synthesis was done in the research laboratory under strict laboratory conditions. One laboratory was devoted to this research project. The genetically modified *Bacillus* sp. was transformed by researchers in this laboratory. The genetic material for the transformation was obtained from an outside laboratory under a Material Transfer Agreement. The University has now entered into a licensing agreement with this laboratory and has the right to license any organism transformed with this genetic material.
- Vanillin synthesis was conducted in a batch regime. It was shown that the transformed *Bacillus* sp. would grow and multiply in a 0.25% glucose solution. Tests conducted with the transformed *Bacillus* sp. have shown that it is ecologically safe and is not a threat to living organisms including humans.
- In order to synthesize vanillin, 50 ml of lignin-containing paper pulp waste was placed in a flask. Glucose was added to the pulp waste to provide the 0.25% glucose requirement. One ml of a solution containing the transformed *Bacillus* sp. was added to the glucose-pulp waste solution. The inoculated flask was placed on a shaking apparatus and oscillated at 25 oscillations/ 5 minutes. The shaking apparatus was kept at 26 degrees centigrade under a white light regime of 37 lumens. After 24 hours the solution was centrifuged to remove all *Bacillus* sp. cells and any pulp fiber or residue. The solution was then run through a standard Beckman R-36 chromatographic column and the vanillin recovered. Approximately ½ gram of vanillin was recovered from a flask.
- Chemical analysis of the bacteria produced vanillin has confirmed it is identical to naturally produced vanillin. For example, mass spectral analyses of the lignin-derived vanillin and vanillin obtained from ground black vanilla pod were identical.
- Numerous tests were undertaken to ascertain the safety aspects of the synthetic vanillin when used in various food products. Another test included feeding the synthetic vanillin to mice and rats over a two-week period. There was no evidence of any type of safety problem. None of the mice or rats showed any ill effects from ingesting synthetic vanillin.
- After it was shown that the synthetic vanillin was safe to use in food materials it was used in a series of taste tests. A number of different items were made using both the natural and synthetic vanillins. Taste test panels could not differentiate between identical products made with the two different vanillins. The synthetic vanillin has received Food and Drug Administration (FDA) approval as a food additive for human consumption.
- License:** A license that includes both the transformed *Bacillus* sp. and the method for producing vanillin from lignin-containing paper pulp waste is available from the University. If interested contact:

*Director, Technology Management Office, Forest Products University, Stickville, Wyoming 99999*

- Technical:** The IUPAC name for vanillin is 3-methoxy-4-hydroxybenzaldehyde with a molecular weight of 152.15 grams. Its boiling point is 170° C and melting point is 81-83° C. It is insoluble in water. It is used to enhance taste of foods and medicines, in perfumes to create smells of almonds, pears and passion fruit and in some cases as an insect attractant.
- License Offering Details for:** Method for producing vanillin from lignin-containing paper pulp waste using a genetically modified *Bacillus* sp.
- Type of license:** Non-exclusive
- Term:** Life of patent and may be extended through the life of any improvement patents
- Sub-licensing requirements:** Not applicable, no sublicensing
- Initial license fee:** \$100,000
- Royalty:** 7.5% of gross sales
- Minimum royalties:** \$50,000/ year, beginning the 2<sup>nd</sup> year after the effective date of the License Agreement
- Patent costs:** Paid by licensee
- Restrictions:** Transformed *Bacillus* sp. only for use in vanillin production from lignin-containing paper pulp waste
- Diligence:** Marketing plan developed 6 months from the effective date of the License Agreement; vanillin product in the marketplace 1 year after the effective date of the License Agreement
- Research support:** \$100,000/year for 4 years
- Warranty:** None
- Insurance:** Minimum of \$1 million liability and comprehensive insurance
- Miscellaneous:**
- Production of vanillin must be in Wyoming
  - Vanillin management team to have at least 1 FPU graduate
  - Company to give preference to FPU graduates when hiring
  - Company not to use the name of FPU in any advertising

## Forest Products University Fact Sheet

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In 1955 the state of Wyoming decided it needed to provide additional support to the forest products industry, one of its largest industries. A small two-year junior college in Stickville, Wyoming was chosen as the site for the implementation of this endeavor. Within one year construction began on new classroom and research laboratory buildings for the new four-year university and by 1957 the University accepted its first students. The curriculum was broad based with fourteen different departments, ranging from Biology to Technical Communications. All departments within the University support its mission of providing assistance to the forest products industry. Today 8000 students are enrolled at the University. One thousand of these students are enrolled in graduate programs.

A research program was begun in 1958 in conjunction with assistance from the forest products industry. Today all faculty are involved in research and the University received more than \$75 million in 2002 to support their research. Funds were received from Federal and State grants, foundations and industry.

By 1980 University-based research adopted by the forest products industry generated considerable financial support for the industry. This increase in revenue for the industry was actually more than the total cost of building the University back in 1955-56! Through 1999 the University continued to provide research results to the industry at no cost. Late in 1999 the University decided it would like to receive a share of the financial gain made by the forest products industry. The University also realized that many of the discoveries made by its researchers might also have an impact in industry outside of Wyoming and in non-forest products industries. As a result the University established a Technology Management Office to oversee the distribution of University research and development efforts.

The Technology Management Office opened for business on March 1, 2000. The staff consisted of a Director, three technology transfer specialists and two support staff. Presently the Office has an invention portfolio of 74 inventions with 25 patent applications pending and two patents issued. Four invention/patents have been licensed and \$5,000 in royalties was received in 2002. The Technology Management Office is offering these technologies to industries throughout the world. It is anticipated that a number of the technologies will be licensed and generate royalties for the University. The University will share the royalties with the inventors, 35%, and distribute the remainder to the department that generated the technology, 40%, and 25% to the Vice President for Research for the support of other research projects at the University.

## Flavoraid, Inc. Fact Sheet

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Mr. B.A. Cake founded Flavoraid, Inc. in 1987 as a chemical company for the production of foodstuff additives. His company was originally located in Michigan, but was moved to Cooky, Florida in 1998. The facilities include a four-story office building and two 180,000 square foot manufacturing buildings and one 15,000 square foot research and development laboratory. All facility equipment was purchased at the time of the move to Florida or within the past two years. The company employs 96 people, four of whom are full time researchers.

The company manufactures a number of flavoring chemicals for cooking and baking. All products are sold to major food distributors such as Pillsbury, General Mills, Kraft Foods and Swanson who either use the flavoring chemicals directly in their food products or, in some cases, make them available to small, local food preparers or to supermarkets for sale to their customers. Sales are worldwide.

Flavoraid, Inc.'s sales in 2002 exceeded \$550 million. The company has been profitable since 1994. It is continually searching for new product lines or for more economical means of producing/manufacturing present products. Presently it manufactures and sells 37 different products. The company is listed with the New York Stock Exchange and its stock sold recently for \$47.32/share.

The President of Flavoraid, Inc., Ms. B. Crocker, is a graduate of MIT with a degree in chemical engineering and of Harvard University with an MBA. She has served in the President's position for 6 years. Under her direction sales have increased from \$178 million to \$550 million.

Cooky, Florida is located approximately 75 miles north of Gainesville, Florida. Two major paper mills are located within 50 miles of Cooky. The University of Florida, located in Gainesville, has worked on several sponsored research projects with Flavoraid, Inc. Researchers from both organizations have a very collegial working relationship

# Chapter 9

## Technology Transfer Conferences

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### Purpose

A technology transfer conference as described here provides a means for industry and not-for-profit research laboratories/universities to learn of each other's capabilities and for the transfer of technology. The conference is a learning exercise for both groups. The results of such a conference may be the transfer of a technology to industry, research support from industry, equipment transfer from industry to a not-for-profit, identification of researchers who can assist industry, new research projects for industry and/or not-for-profit and, perhaps most importantly, the building of a network for future technology transfer transactions.

The following will describe the parties, their roles and the role of the organizer. This information should only serve as a guide and each organizer must customize the conference for the best possible outcome. The information presented here is based upon technology transfer conference participation for over fifteen years as a university representative, including serving as the host for three such conferences.

### Organizer - Instructions

The organizer of the conference is to invite all the participants, industrial and not-for-profit organizations, to the conference. In the invitation call letter the purpose of the meeting should be defined. The number of invitees should be limited to approximately two industries or companies to each not-for-profit entity, the total not to exceed 50 companies and 25 not-for-profits. Only company and not-for-profit organizations should be invited as participants. In the United States each industry/company was charged a fee, which when considering the total industry or company fees, that would cover expenses. These expenses included rental of a facility, meals, utilities, printing, phones, organizer's salaries, etc. Sometimes the not-for-profits were also asked to contribute. This fee was minimal for the not-for-profits. The fee schedule should be included in the invitation.

Not-for -profits should, upon acceptance or shortly thereafter, submit a list of ten or so of their top technologies and four or five major research areas/laboratories. These lists can be compiled by the organizer and sent to each of the industrial representatives to help them prepare for the conference.

The organizer must provide adequate facilities for the conference. Usually this will involve renting a large ballroom/conference room in a hotel and a meeting room. The meeting room should have seating for all participants, a podium, projection capabilities and a sound system. Outside the meeting room should be the registration table where participants can get name tags and other information about the conference. The ballroom must have at least one table for each not-for-profit organization. Each table should be large enough for to have one set of two chairs on each long side of the table (a total of four chairs, two on each side). Each table should have a covering cloth and a large nameplate for the not-for -profit organization.

On the day of the conference all participants should assemble in the meeting room. The organizer briefly describes the purpose of the conference and relates any logistical necessities. Then the first not-for-profit

participant is introduced as Dr./Mr./Ms. So and so from Such and Such an organization. The participant is given a very short time, three minute maximum if 25 organizations are participating, to high light technologies from the organization. Then the next not-for-profit participant is introduced and so on until all not-for-profit organizations have presented their three-minute talk. After these brief talks the industry representatives are given a short time to present, if they desire to do so, any needs they have. There could be a coffee break between sessions. Following the company presentations there could be a short networking period followed by lunch. After lunch the organizer can meet with company representatives to discuss the format of the conference and ask for suggestions on how to improve the conference. During this time the not-for-profit organizations are to set up their tables in the ballroom. Set up would include putting the materials they brought about their organization, their technologies and their research areas on the tables.

One very important part of this type of conference is keeping to the time schedule. The not-for-profit representatives must not talk beyond the established time limitation. This means they must know concisely what they will say about their technologies. If they feel its important to talk about their organizations they will need to find another way to do it, but they should not do it at the technology presentation time. If the conference is to start at 9 am it must start then, not an hour later. Any delay in starting will interfere with the technology transfer operation that will be happening in the ballroom. Companies paying money to be able to talk to not-for-profits must be allowed to do so, if they cannot it will be much harder to convince these industries to ever participate in a technology transfer conference again. It is not necessary to have any special speeches at the beginning of the conference or to have special people talk about the importance of the conference. This is a business meeting and it should be conducted as such. Running it otherwise is a major waste of time and money. If it is absolutely necessary that if there must be a special speaker then the speaker could make a presentation during the lunch period. But again, it is important to limit the length of this talk to the time planned for the lunch period.

At the end of the organizer-industry meeting the industrial representatives will enter the ballroom and visit the not-for-profit representatives at their tables. If each not-for-profit organization has two representatives then their table can host representatives from two different companies. At these table discussions there is an informal presentation of information from both parties. It is expected that both parties will share non-proprietary information and learn more about the other. Industry representatives can explain what their company needs in the way of new technologies and where they need assistance in their research programs. The not-for-profit organization can provide more information on the technologies it has available and its research capabilities. Both parties need to be especially careful not to disclose information proprietary to their organization. After an industrial representative has obtained what is needed from one not-for-profit organization it can go to another table and repeat the process. By the end of the day each industrial representative should have been able to visit all the not-for-profit tables.

One of the selling points of this type of conference is the ability for a company to visit 20 – 25 technology transfer sites without having to travel around to each, set up appointments, etc. The same is true for the not-for-profits, where else would they be able to display their technologies to 40 – 50 companies in one day. The conference serves as an economical way in which to “shop” for new technologies.

Sometime during the day there should be a luncheon for all participants. The ballroom needs to be closed and all participants meeting in the meeting room, which has been transformed into a dining room. Industrial and not-for-profit representatives can sit together and continue their discussions. The lunch period should not extend past one hour.

During the one-on-one sessions in the ballroom there should be a table with tea, coffee and soft drinks along with light snacks available for the participants. In this way participants can take a “break” when it is most convenient for them. There should also be a area in the ballroom with a number of chairs so industrial participants can sit down and informally network with each other when the representatives are not meeting with a particular university.

If all the participants are from the local area, it will not be necessary for them to rent a room for the night. However, if some participants need to stay the night then the organizer should work with the hotel to assure that these participants can get a room. Usually this will mean holding a number of rooms at a special conference price until a certain date. After that date the participants will be expected to find their own lodging. The organizer should not be expected to pay for lodging of participants.

## **Industry – Instructions**

The following contains a number of suggestions for a successful and satisfying experience through a Technology Transfer Conference for the industrial representative. Attending the Conference will be representatives from other industries, perhaps very similar to yours or maybe very different. All of the industry representatives will be meeting with the not-for-profit organizations to learn what technologies they may have available for licensing, their organization’s research expertise and to build a network of acquaintances which may be able to support your company now or in the future.

At the beginning of this Conference, industry representatives will listen to each not-for-profit organization briefly describe one or more technologies they believe is quite valuable. Since each organization only has a limited time to make a presentation save any questions until meeting individually with the organizational representative. After the not-for-profit organization representatives have made their presentations they will move to another room to prepare for one-on-one meetings with industrial representatives. The industrial representatives will remain together and discuss the conference with the organizer. The organizer will want to receive information from the industrial representatives so the next conference will be even better.

After the representative/organizer discussion, approximately fifteen to thirty minutes, the industry representatives will visit the not-for-profit representatives at their tables. There should be at least one not-for-profit representative for each industrial representative or company. Select a table/not-for-profit organization and begin to discuss technology transfer. Business cards should be exchanged between parties. The industrial representative lets the not-for-profit representative know the company’s interests in acquiring technology and the not-for-profit representative will provide, if possible, the industrial representative with descriptions of several technologies. The two parties can continue their discussion by exploring possible research interactions. The industrial representative should pick up all the materials available on the table and present company materials to the not-for-profit representative. After completing the discussion the industrial representative should move to another table, continuing to do so until all the tables of interest have been visited.

While visiting, look for ways to start developing networking interactions and suggest ways the company and the not-for-profit organization might get together to explore more ways of working together. Maybe the company would offer a not-for-profit organization excess equipment or developing a small research interaction. Know that both groups will be working with non-confidential information until a Confidential Disclosure Agreement (CDA) has been signed. This signing would not be done at the Conference but at a later date, perhaps a date set at this first meeting.

Realize that after this initial meeting, the not-for-profit representative will be contacting each industrial visitor at least two more times. First will be a follow up letter thanking the industrial representative for the interest shown in the technologies and organization. Second will be a letter to see if the industrial representative is still interested in any of the technologies viewed at the Conference. A third letter may follow which lists new technologies that the not-for-profit representative believes may be of interest to the company.

If something of interest is found at the Conference, let the not-for-profit representative know that there should be a follow-up discussion. It may be appropriate for the not-for-profit representative to bring the inventor to the second meeting so there can be more in-depth discussions. Of course before this type of discussion can go on, it will be necessary for both parties to enter into a mutually binding confidentiality arrangement (a CDA).

After visiting all the not-for-profit representatives, summarize your thoughts about the Conference and share them with the organizer and even the other industrial representatives. If possible encourage the organization of more such Conferences with other not-for-profit organizations. Or, maybe your company would like to host such a Conference at your facility. In this case the not-for-profit representatives would just be meeting with representative of the company.

## **Not-for-profits - Instructions**

The following contains a number of suggestions for a successful and satisfying experience through a Technology Transfer Conference for the not-for-profit representative. Attending such a Conference will be representatives of various industries and the other organizations presenting technologies. It is at this meeting that lasting impressions will be made so it is important to be appropriately prepared. If one makes a poor impression it will adversely affect interactions at the Conference and in the future, so one must be very careful to present technologies, information, themselves and their organization properly.

At the Conference, each not-for-profit organization should be prepared to make two presentations, one formal and the other informal. The formal presentation will be given at the beginning of the conference, to all industrial and not-for-profit organizations, and is not to exceed a certain time limitation. This formal talk should only highlight the most important technologies available from the organization and, perhaps, several major research areas. This small tidbit of information should encourage industrial representative to visit your table later in the day so you can give the informal presentation. The formal talk must be carefully prepared before the meeting time. Do not talk about your organization or your administrators, just your technologies and/or major research areas. Organization descriptions and more in depth technology discussions can be done later at the one-on-one portion of the conference.

If all not-for-profit organizations keep to the time limit the formal presentation portion of the meeting will be completed in the expected time period. Next the industrial representatives will be given an opportunity to describe their technology needs and research interests. After the industrial presentations and lunch the not-for-profit organizations will go to a large room where they have been assigned a table. Each table will have the name of one not-for-profit organization on it. Also each table will have six chairs. Two of the chairs will be for the not-for-profit representatives and the other four for industrial representatives when they visit the not-for-profit organization. The not-for-profit organization is to take this time to “set up” the table by placing various materials about the organization on the table. The suggested types of information will be described below.

During this set up period, the industrial representatives will be talking with the Organizer of the Technology Transfer Conference. The Organizer will be providing the companies with details on how they should work with the not-for-profits during the next portion of the meeting. One thing they will be told is that they are not to try to obtain proprietary information. If proprietary information exchange is needed then it should be done in a subsequent meeting of the two parties. The industry representatives will be asked to provide any suggestions for improving the program and that their input will be important in setting up the next conference.

During the next phase of the conference, industrial representatives will be visiting tables to learn more about available technologies and possible research collaborations (one-on-one meetings). Many times a company will have a specific need for a very special problem and the not-for-profit organization might just happen to have someone that could fill that need. This could develop into a sponsored research collaboration. It is important when talking to the industrial representatives to understand that they had to pay a fee to attend this conference, this fee covers most or all of the costs associated with the Conference, and they should be treated with respect and in a business-like manner. In the discussion with the industrial representative it may be learned that they have excess equipment which they would make available to your organization – take it if possible. But remember this conference is primarily for technology transfer and building a technology transfer network.

At the table, the not-for-profit organization should have literature which describes the organization, the research capabilities of the organization and how to work with the organization on a research project, the technology transfer office or unit, the technology transfer officer and the technologies available for transfer. These materials will probably need to be written especially for the conference so the industrial representatives will be able to easily pick out points of interest to them. Other organization literature can be available including reports to alumni and friends. The following paragraphs will briefly describe the important elements to include in each piece of information. Of course, each organization should develop its own information materials and include only what they feel is important for a particular meeting

### **Organization Description: This document should not be more than two pages long.**

Prepare a concise and meaningful one or two page description of the Organization. This description should include at least the following information:

***General organization information; including the:***

- a. Full name of the organization
- b. Primary officers of the organization
- c. Phone number with country and city codes
- d. Fax number with country and city codes
- e. E-mail address
- f. Mailing address

***The purpose of this Organization; including:***

- a. Original objectives and goals
- b. Present objectives and goals

***A brief history; including:***

- a. When founded
- b. Why it was founded

***List ways in which the Organization has met its objectives and goals***

- a. Description of most recent accomplishments

***Physical setting; including:***

- a. Buildings
- b. Facilities
- c. City
- d. Country
- e. Associated organizations

***Research Capabilities: This document should not be more than two pages long.***

- a. Research history
- b. How research is supported
- c. Number of researchers
- d. Background of researchers
- e. Research teams and their members
- f. Educational background of researchers
- g. List present areas of research expertise
- h. Describe major research accomplishments of organizations

***Technology Transfer Office: This document should not exceed one page.***

*The technology transfer office description should include the following:*

- a. The Office's philosophy of technology transfer
- b. The Office's full address, phone numbers and e-mail addresses
- c. Contact person(s) with names and areas of technology transfer expertise
- d. General information on how the office would work with industry
- e. List general terms for licensing and how licensing would be carried out

***Technology Transfer Officer:***

Each technology transfer officer at the Conference must have a business card with all the appropriate contact information. This contact information must be consistent with the information presented about the Organization and the Technology Transfer Office. The Officer must have a

sufficient number of cards so that one can be presented to each and every person the Officer meets.

***Technology Description:***

Each technology offered at the Conference must have a written description. This description should never exceed one page. The description should include the following major areas:

1. Title: Concise and definitive
2. Description: Concise, listing key factors, but not proprietary information, and what the technology can “do”.
3. List “advantages”: In bullet format describe how the technology is better than present technology (if the new technology can reduce costs emphasize this).
4. Protection status: Is the technology patented, copyrighted or trademarked? Where? Is a patent, copyright or trademark application pending? Where?
5. Contact person: Include full address and contact information about the person in charge of licensing this technology

In addition to the individual technology descriptions prepared for the Conference a listing of all technologies available for licensing should be prepared. In this listing each technology can be listed by title and have a one sentence description of the technology. Rather than just listing all the technologies, group like technologies and provide each group with a title (For example, non-biological technologies could be under "Physical Sciences", biological ones could be under "Biological Sciences" or one could be more precise and say "Agriculture Sciences", Medical Sciences" or Animal Sciences".) The listing should contain all the appropriate contact information.

***Conduct at the Conference:***

Dress appropriately. Since industry representatives and attorneys will be the main visitors at the Conference dress as they will dress. Their attire will generally be suits and ties; the not-for-profit organization representative should be similarly attired. In addition to the proper clothes, be sure to have an identification tag that is easily seen and readable. The identification tag should have the representative's name, both first and last, and the organization's name. The Organizer should provide this nametag.

Answer questions. The Organization's technology transfer representative should answer all questions concerning the technology transfer process. Answer only those technology questions one really know the correct answer. Don't guess. Say, "I don't know the answer to that question" and include "I'll find that out for you" or "I'll have the innovator contact you about that question". Don't provide proprietary information without entering into a confidential disclosure agreement. It is inappropriate to do this at the Conference, so this, entering into a confidential relationship, is something to be handled after the Conference.

Obtain business cards from all visitors. If they have questions write them on the back of the card. After the Conference write each and every visitor a "thank you" letter for stopping by and talking with you. In a separate letter answer their questions. About two weeks after answering questions

write another letter as a follow up. In the follow-up letter see if the visitor is still interested in a particular technology, if more information is needed, are they interested in licensing, etc. Learn in what area or areas each visitor is interested and send new materials in that area on a regular basis. Find out if they are interested in working with the organization on joint research projects. Would the visitor's company support research at the organization, if so, under what conditions?

Make sure each visitor leaves with a description of the organization, the technology list and the organization representative's business card. Especially make sure the visitor leaves with a good impression of the organization and its representative.

The following page was originally prepared by the University of Texas Southwestern Medical Center as a description of a technology ready for licensing. It has been modified for presentation here. It follows the outline described earlier.

## METHODS FOR DIAGNOSIS OF T -CELL LEUKEMIA

**Inventor(s):** F. Fenderson

**Description:** Certain tumors are characterized by chromosomal abnormalities that are present in a significant proportion of affected patients. These abnormalities allow for accurate diagnosis and analysis of treatment. Cytogenetic studies have not uncovered a major karyotypic abnormality associated with T cell acute lymphoblastic leukemia (T-ALL). A number of minor defects have been reported, but these defects are present in relatively small proportion of T-ALLs. Dr. Fenderson at ABCD has identified a gene, designated tal-1, that is altered in tumor cells of a significant proportion of patients with T-ALL. Tal-1 gene alteration is easier to detect than chromosome abnormalities and it is specific to the leukemic cells of T-ALL patients. The tal-1 gene alterations can be used to facilitate the diagnosis of T-ALL, to identify patients that are likely to suffer a relapse after initial therapy, and to track levels of disease in T-ALL patients during treatment and during remission.

**Advantages** Can diagnosis the T-ALL disease and identify patients that may have a relapse after initial treatment.

**Keywords:** T -ALL, leukemia, tumor, tal-1, diagnostic

**Market / Application:** Diagnostic methods and compositions may be used to develop diagnostic procedures for T -ALL.

**Patent status:** U.S. Patent pending. License availability: Negotiable.

### References:

Brown L, Cheng J- T, Chen Q, *et 01*. Site-specific recombination of the tal-1 gene is a common occurrence in human T cell leukemia. *EMBOJ* 1990; 9(10):3343-51.

Chen Q, Cheng J- T, Tsai L-H, *et 01*. The tal gene undergoes chromosome translocation in T cell leukemia and potentially encodes a helix-loop-helix protein. *EMBO J* 1990; 9(2):415- 24.

### For Information Contact:

Jeff Smith, Licensing Associate  
Office of Legal Affairs and Technology Transfer  
ABCD Research Institute and Medical Center  
432 Lockst Road, Midland, Michigan 48642  
PH: (555) 555-5555 FAX: (555) 555-5556

## EXAMPLE: Set-up for a small one day University-Industry Technology Transfer Conference

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### Participants:

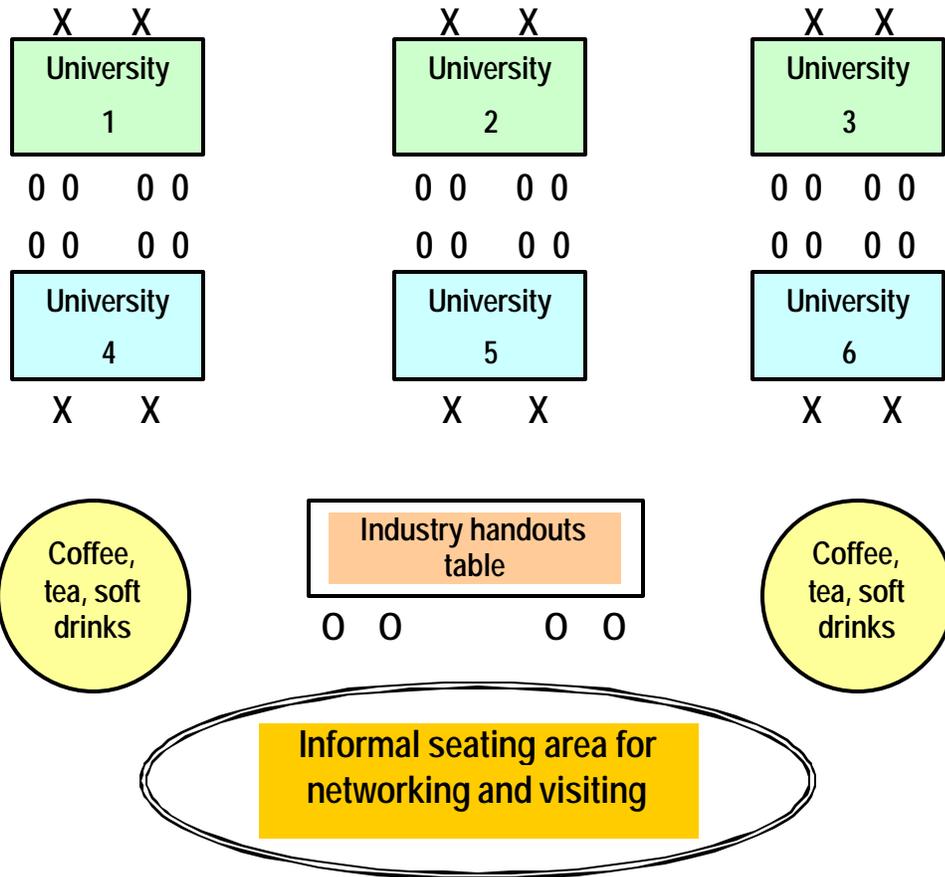
**Universities** – invitations sent to 6 to 10 universities inviting technology management/research administrators to the conference with a copy of the letter being sent to the head of the university. The invitation is to include the day's program and instructions for participation.

**Industries** – invitations sent to 20 to 25 companies inviting each to participate. It would be expected that high-level administrators would attend, especially those involved in acquisition of new technologies and the development of new products. The invitation is to include the day's program and instructions for participation.

### Program:

9:00 - 9:15	Introduction by host.
9:15 - 12:00	University technology/research presentations – 15-minute presentations (if more than six universities participate the time for presentation must be shortened).
12:00 - 1:15	Networking lunch.
1:15 - 2:15	Industry presentations – “What we are looking for or what do we need” – 5-minute presentations.
2:15 - 5:15	One-on-one informal meeting/networking

### Physical Setup for One-on-One Meetings:



X = University representative

0 = Industry representative

### University invitation:

1. Send the invitation to the appropriate technology transfer/research administrators.
2. Send a copy of the invitation to the president.
3. Explain the intent of the Conference
  - ◆ Develop awareness to potential of university research products and potential.
  - ◆ Create awareness of what each party needs, wants and how they operate.
  - ◆ Discussion to be at a level that all parties can understand – remember this is not a scientific meeting.
  - ◆ Management of time is very important – no one will be allowed to exceed the 15-minute presentation time limit.
  - ◆ Tell them that PowerPoint facilities will be available.
4. Describe content of talk

- ◆ Information presentation
  - ◆ Describe 2 or 3 inventions being careful not to disclose confidential information. Do not get too “scientific”.
  - ◆ Describe 2 or 3 research areas and include the names of the researchers.
  - ◆ Do not describe the institution or talk about successes in sporting events.
5. Suggest they prepare written materials for the networking session. These materials are to be placed on the university’s table.
  6. Tell them you will follow up with a call in one week (or a reasonable time) to answer any questions they may have about participating in the Conference (make sure you do this).
  7. Explain that a maximum of 3 people from the university can attend and that it is not necessary for the researchers to be included.
  8. Require an acceptance statement with the name or names of the attendees by a certain date. The acceptance statement should include any special needs of the presenter.

### Industry invitation:

1. Send the invitation to the appropriate administrator of the company. The appropriate person could be the president, a new products administrator, or research director.
2. Explain the intent of the Conference:
  - ◆ Develop an awareness to the potential of university research products and potential.
  - ◆ Create awareness of what each party needs, wants and how they operate.
  - ◆ Discussions are to be at a level that all parties can understand – this is not a scientific meeting.
  - ◆ Management of time is very important – no one will be allowed to exceed the 5 minute presentation time limit. It is not necessary for the company to make a presentation. A company presentation should briefly list technological needs in the product and research assistance areas.
  - ◆ Suggest that they might want to bring materials to distribute to the other attendees (company and university representatives) and that these materials should be placed in the display/networking room. (See below)
  - ◆ Explain that university presentations are to be completed within a 15-minute time limitation and that the presentations are to provide information and are not to be scientific presentations.
3. Tell them you will follow up with a call in one week (or a reasonable time) to answer any questions they may have about participating in the Conference (make sure you do this).
4. Explain that no more than 3 people from the company should attend and that it is not necessary for the researchers to be included.
5. Require an acceptance statement with the name or names of the attendees by a certain date.
6. (Special note – you might ask each company to contribute a small sum of money to help cover lunch and “break” expenses.)

## Convention needs:

1. Rooms
  - ◆ Room for presentations
  - ◆ Lunch room
  - ◆ Display/networking room – this room should be quite large and should be able to include all the tables and chairs as shown in the diagram.
2. Greeters – individuals who greet participants, register them, assist the participants in setting up their materials and provide each Conference participant with a pin-on tag with the name of the individual and the organization he or she represents.
3. Tables/chairs
  - a. Display/net working room
    - ◆ Tables (2) for each university - rectangular
    - ◆ Large table for industry handouts
    - ◆ Tables for continuous coffee break
    - ◆ Chairs
      - a) 2 for each university side of table
      - b) 4 for each company side of table
      - c) 20+ for informal discussion area
    - ◆ Signs for each university table. The sign should have the name of the university in large (5 cm) bold letters. The sign must be self-supporting and not need to be leaned or balanced against something.
4. Lunch room
  - ◆ Tables – round, facilitates networking
  - ◆ Chairs – maximum of 8 per table
5. Presentation room
  - ◆ Table in front of room for speaker
  - ◆ Speaker podium
  - ◆ Chairs for all participants
  - ◆ PowerPoint facilities
  - ◆ Sound system
  - ◆ Clock to time speakers – one the speakers can see as they talk.
6. Handout materials prepared by universities and companies. These materials are to be on tables in the display/networking room and should not be given out at the time of presentation. The universities should have their materials on the table designated for them. Companies should place their materials on the Industry Handouts Table.
7. Universities
  - ◆ Description of university
  - ◆ One page non-proprietary description of each technology for company review.
  - ◆ One-page descriptions of prominent research areas.

- ◆ One-page description of the technology management office that includes names, phone numbers, e-mail addresses, and web address.
  - ◆ Business cards of each technology management office person.
  - ◆ Any other materials that might be of interest to company representatives.
8. Companies
- ◆ Description of company
  - ◆ List of appropriate contact people at the company that includes phone numbers, e-mail addresses, and web address.
  - ◆ Business cards of the people listed above.
  - ◆ List of technology and research needs.
  - ◆ Any other material that might be of interest to other companies and university representatives.
9. Lunch
- ◆ Supplied by group setting up the conference and inviting others. May be covered by company “donation” or registration fee (do not ask universities for a donation).
  - ◆ Try to get university and company people to sit at the same table to enhance networking.
  - ◆ Give a brief presentation
    1. Welcome everyone.
    2. Explain the purpose.
    3. Ask the participants to give you feedback on the Conference with suggestions for improvements.
    4. Briefly explain the intent of the afternoon session.
10. Coffee break
- a. Have a variety of “things” available all afternoon.
- ◆ Coffee
  - ◆ Tea
  - ◆ Soft drinks
  - ◆ Snacking things – “light” – cookies, popcorn and similar things.
  - ◆ Have someone available to keep the area clean during the entire conference.

## Sample University Invitation Letter

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**ABC Group**  
**Technology Transfer Conferences**  
**666 Copyright Way**  
**Invention City, Bulgaria**

Dear \_\_\_\_\_ (put in name of the president or the head technology transfer person):

The ABC Group invites you and your university to participate in the Technology and an afternoon session for one-on-one discussions. Each university will be asked to make a 15-minute presentation about exciting new innovations and/or research areas at a Transfer Conference to be held 22 May 2003 from 9 am to 5pm. The Conference will be held in the TT Room of the Patent Hotel, 555 Prior Art Street in \_\_\_\_\_ (city).

The objective of this conference is to facilitate interactions between universities and industry in regard to transferring technology. About 20 different companies are expected to attend the Conference along with several other universities. You will have an opportunity to meet with each company's representative to learn about the companies' technological needs and to describe innovations your university has available for licensing. It will also be an opportunity for you to describe you university's research strengths and perhaps learn of ways your researchers can interact with one or more of these companies.

The Conference will be divided into two sessions, a morning session for presentations on innovations and promising research programs. It is important that you limit your presentation to 15 minutes because you will be asked to stop if the talk exceeds this time. You do not need to describe your university nor will you be expected to answer any questions after the presentation. Both of these matters can be handled in the afternoon session.

After all the universities have made their presentations each of the companies will be given an opportunity to share with the audience their needs in regard to new technologies and areas where research assistance is needed. These presentations will be limited to 5 minutes. Again questions and more specific information about each company can be obtained in the afternoon session.

Lunch will be provided. Should you or any other attendee from your university have any dietary restrictions please let me know immediately.

At the beginning of the afternoon session the company representatives will meet with me to provide feedback and give suggestions for improving the Conference. During this time the universities will complete setting up their materials at their assigned tables. At your table you should have written materials that describe your university, non-proprietary descriptions of any innovations available for licensing, a description of the conditions for licensing and a listing of research programs/researchers. Please bring any other materials you feel are important to "tell your story." These materials should be on your table for the company representatives to review and to take back to their company. Bring enough so that all company representatives can have a set of your materials. I expect there will be two representatives from each company attending.

After the company representative finishes the first afternoon session, they will join you and visit the university tables. It is expected that each company will visit each university. Because there are more companies than universities I suggest you bring one other individual from your office to assist you during the one-on-one session. Please limit your university's attendance to just two individuals. The table will be set so that each of you can talk to a different company at the same time. Remember that you should

be asking the company representatives about possible interactions between your university's researchers and the company's researchers.

There is no time limitation for company/university interactions. The representatives may stay just 5 minutes or maybe they will stay for 30 minutes. The length of time depends on what you have to offer and their needs. When company representatives are not visiting university tables they will have the opportunity to network amongst themselves. It is expected that university representatives will also network during this afternoon session. There will be an area set up for these informal discussions. Also, refreshments will be available throughout the afternoon session.

What should you expect from this meeting? Do not expect to license any innovations at the session, but do expect to develop relationships that may lead to licensing or research interactions. Through the one-on-one interactions expect to learn about the companies' needs and determine how you might help them. Get names, addresses, phone numbers, take these back to your university and let researchers know about potential opportunities for research collaborations. Help the researchers get connected. Expect the company representatives to be surprised as they learn about your university's research potential, about innovations available and how the university is willing to work with and to help industry. As a result of this meeting you might, over a period of time, license one of your innovations to one of the companies, you may foster a research partnership between the university and a company, your university may get a gift of excess equipment, maybe even a donation for the university – whatever happens it will be for the benefit of the university and for the company and ultimately for society.

If you are interested in taking part in this Technology Transfer Conference please return the enclosed registration form and/or call my office at 555-5555. There is no registration fee for universities. If you have any questions do not hesitate to contact me. After receiving your completed registration form additional information will be sent to you.

Sincerely yours,

President/CEO ABC Group

CC: University President/Chancellor/Vice Chancellor (name)

## Sample Industry Invitation Letter

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**ABC Group**  
**Technology Transfer Conferences**  
**666 Copyright Way**  
**Invention City, Bulgaria**

Dear \_\_\_\_\_ (put in name of appropriate company person):

The ABC Group invites you and your company to participate in the Technology Transfer Conference to be held 22 May 2003 from 9 am to 5pm. The Conference will be held in the TT Room of the Patent Hotel, 555 Prior Art Street in \_\_\_\_\_ (city).

The objective of this conference is to facilitate interactions between universities and industry in regard to transferring technology. About 6 universities are expected to attend the Conference along with at least 20 different companies. You will have an opportunity to meet with each university representative to learn about university innovations available for licensing. It will give you an opportunity to describe technological needs your company may have. It will also be an opportunity for you to learn about the universities' research strengths and perhaps learn of ways your researchers can interact with one or more of these universities.

The Conference will be divided into two sessions, a morning session for presentations and an afternoon session for one-on-one discussions. Each university will be asked to make a 15-minute presentation about exciting new innovations and/or promising research programs. After all the universities have made their presentations each of the companies will be given an opportunity to share with the audience their needs in regard to new technologies and areas where research assistance is needed. These presentations will be limited to 5 minutes. This presentation should briefly describe technology and research needs of the company. Questions and more specific information about needs, technologies, research areas, university programs and company information can be obtained in the afternoon session.

Lunch will be provided. Should you or any other attendee from your company have any dietary restrictions please let me know immediately.

At the beginning of the afternoon session the company representatives will meet with me to provide feedback and give suggestions for improving the Conference. During this time the universities will complete setting up their materials at their assigned tables. At their tables you will find written materials that describe a university, non-proprietary descriptions of any innovations available for licensing, a description of the conditions for licensing and a listing of research programs/researchers. These materials are for you to review and to take back to your company. There should be enough so that all company representatives can have a set of these materials. I expect there will be a maximum of two representatives from each company attending.

You should bring written information about your company to share with others. There will be a table available in the afternoon session on which you can place the material. You may want to bring enough for all participants, university and industry. Probably you will want to give university representatives copies of these materials when you visit their tables.

After the company representative finishes the first afternoon session, this will be about 15 minutes long, you will be encouraged to visit each university table. It is expected that each company will visit each university. Because there are more companies than universities I have suggested that each university have a maximum of 2 representatives so that each university can talk to two different companies at the

same time. Remember that in addition to leaning about available innovations you should be asking the university representatives about possible interactions between your company's researchers and the university's researchers.

There is no time limitation for company/university interactions. The time you spend with a university representative, 5 minutes, 15 minutes, 30 minutes, depends on what a university has to offer. When you are not visiting university tables you will have an opportunity to network with other company representatives. It is expected that university representatives will also network during this afternoon session. There will be an area set up for these informal discussions. Also, refreshments will be available throughout the afternoon session.

What should you expect from this meeting? Do not expect to license any innovations at the session, but do expect to develop relationships that may lead to licensing or research interactions. Through the one-on-one interactions expect to learn about university needs and determine how they might help your company. Get names, addresses, phone numbers, take these back to your company and let researchers know about potential opportunities for research collaborations. Help the researchers get connected. Expect the university representatives to be surprised as they learn about your company's licensing and research potentials. You may also be pleasantly surprised about innovations available for license and how the university is willing to work with and to help industry. As a result of this meeting you might, over a period of time, license one of the innovations, you may foster a research partnership between your company and a university, perhaps your company may give a gift of excess equipment to a university, maybe even give a monetary donation to the university – whatever happens it will be for the benefit of your company and for the universities and ultimately for society.

If you are interested in taking part in this Technology Transfer Conference please return the enclosed registration form and/or call my office at 555-5555. There is a registration fee for each company. This fee is \$150 and will be used to defray costs associated with the Conference. If you have any questions do not hesitate to contact me. After receiving your completed registration form additional information will be sent to you.

Sincerely yours,

President/CEO ABC Group

CC: President/Board Chairperson (name

# Chapter 10

## Innovation Protection

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### Introduction

There are five basic means of protecting innovations: trade secret, copyrighting, trademarking, plant variety certification and patenting. The type of protection is generally dependent upon the innovation. Protection prevents anyone from using an innovation without the innovator or owner's permission. Permission may be granted through a verbal approval or some type of formal agreement such as a confidential disclosure statement, a material transfer agreement or a license agreement. Approval may range from permission to view the innovation to commercialization of the innovation. Requirements for the approval may be none (use it anyway and whenever) to detailed requirements including payment for use. The protection period varies depending on the type of protection.

Innovation protection serves as an incentive for the innovator by recognizing his/her efforts in developing the innovation and allows the innovator to have the exclusive right to control the innovation for a limited period of time. This incentive encourages innovators and results in new and better innovation which can serve and improve society.

Often one hears about intellectual property rights or IPR. These are the rights given by the law when an innovation is protected. IPR for an innovation are only enforced in those countries where this innovation protection is granted. For copyrighted innovations these rights are essentially worldwide. For all other forms of governmental protection these rights are only enforceable in the countries granting protection. For example, an innovation patented only in the United States has no protection in any other country and can be used by anyone outside the United States with no penalty. The law does protect the patent holder in that no one using the patent outside the United States can sell his or her product in the United States. If the United States patent holder wants to have an innovation protected in Brazil, Japan and P.R. China then patent applications must be filed in each of those countries along with the United States application. Several Internet addresses are provided at the end of this chapter to assist the reader in finding appropriate intellectual property protection offices where the forms needed for application can be downloaded.)

This chapter does not go into detail about any of the forms needed or how to complete them because of the differences between country requirements. If one plans to file for innovation protection, appropriate forms should be obtained from the countries selected for protection. If difficulties are encountered in completing the forms, the office the forms were obtained from should be able to assist (In some developing countries the protection offices want to help potential clients and will actually sit down with them to assist in application completion). If this assistance is not available then seek the help of a properly trained law professional.

## Trade Secret

Of the different types of protection trade secret protection is the only one that is not directly covered by governmental laws. Essentially any form or type of innovation can be protected by not telling others and that is what a trade secret is – an innovation which is kept secret.

Many companies have trade secrets that they use to make their products unique. These companies use their own innovations and do not apply for governmental protection. While governmental protection would provide protection it does have two major drawbacks. The first drawback is the limited term of protection ranging from 50 or more years for a copyright to 20 years for patents of plant variety protection. The other problem is the publication of the protection – the patent and the filing of the copyrighted material in a special public library. With a trade secret the only time limitation is the time the company is able to keep the innovation secret and there will be no publication problem because the company will not allow the innovation to be published.

An example often used as a well kept trade secret is the formulation for Coca-Cola. Coca-Cola has been available commercially for a number of years (since 1886), but it is believed that only certain upper level managers of the Coca-Cola Company know the complete formulation of the famous drink. This formulation is considered as a trade secret. How long will it remain a trade secret? As long as no one outside the company knows the formulation.

Many companies that have trade secrets require those working at the company to sign an agreement that states the employee will not tell anyone else about the company's trade secrets. Some companies also require an employee that is leaving the company to sign an agreement which states the departing employee cannot tell anyone outside the company of these trade secrets. Usually this restriction is limited to a time period of ten or so years. These agreements are contracts between the employee and the employer (company) and as such are governed by contract laws of the government. Contract law then provides an indirect means of protecting innovations.

## Copyright

Copyright protection is granted for original works of authorship. In the United States the following types of innovations can be copyrighted: literary works; musical works plus accompanying words; pantomime and choreographic works; pictorial, graphic and sculptural works; motion pictures and audiovisuals; sound recordings; and architectural works. Many other countries have a similar listing of protectable innovations by copyright.

Copyright protection is granted in most countries on the completion of the original work of authorship. There is no cost and no application to prepare; the grant of copyright is automatically given. Because of treaties between countries, copyright protection given in one country will be enforced in most other countries. In some countries copyright owners are expected to place their copyrighted work in a government depository. What is to be deposited depends on the category of innovation, for example in the United States two copies of a literary work are required for deposit and for motion pictures one complete movie system and a written description or documentation is required.

While it not mandatory to mark materials as copyrighted it is good practice to do so. An appropriate marking would contain the word Copyright then the year of origin followed by the author's name – "Copyright 2002 John Doe". The copyright symbol can be used instead of the word along with the date and name as follows: "© 2002 John Doe".

If the copyright holder expects to strictly enforce a copyright on an innovation the copyright should be registered with the appropriate government office. A registered copyright is most appropriate for use in courts of law when enforcing the copyright protection. Completion of forms is required for registration. Usually the forms are quite simple and the innovator can complete them. These forms along with the appropriate type and number of copies and a small sum are sent to the government agency for registration. In the United States a registration fee of thirty dollars (\$30) is required for most copyright registrations. The government after reviewing the materials and accepting them will provide statement of registration and a registration number. The registration number should be used along with the copyright designation.

Copyright protection covers the innovator's lifetime and a period of years after death. This extended period depends on the country, but in the United State this extended protection is fifty years. After that time the innovation is in the public domain and any one can use it without restriction. Governmental protection consists of the prohibition of anyone copying exactly and/or selling the protected material without the owner's permission. Use of the innovation is controlled by the owner of the copyright who can chose not to enforce copyright protection or license the right to copy and sell to a company or individual exclusively or non-exclusively.

## **Trademark**

Trademark protection is granted for any word, name, symbol or device, or any combination of these used in commerce to identify and distinguish the goods of company from the goods of another company. A trademark could be used to identify and distinguish an innovation protected by copyright, plant variety certification or patent. A good example of a trademark is the phrase/word "Coca-Cola". This trademark includes the spelling of the words, the script used in writing the words and the red color of the words. When one sees or hears the words "Coca-Cola" they immediately associate the name with a drinkable liquid with a particular taste. In addition, one knows the quality of the product. It is believed that more than 94% of the world's population recognizes the "Coca-Cola" trademark.

A trademark is not automatically awarded to what is believed to be a new trademarkable material. One must apply for a trademark. In the United States the trademark forms are simple enough for individuals to complete them without professional assistance. However, professional assistance is often needed when reviewing the materials already trademarked to determine if the proposed mark is new. A trademark can only be issued for something new, a new symbol, phrase or word application, in a specific category or class. In the United States there are 34 classes of trademarks and a new mark can be registered in one or more of these classes. Some of the classes include chemicals, paints, machinery, electrical and scientific apparatus, firearms, leather goods and smokers' articles.

Each class is described as to what can and cannot be covered by a mark. For example in the United States trademark guidelines the following is found under the term "chemical class":

"Chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.

### ***Explanatory Note***

This class includes mainly chemical products used in industry, science and agriculture, including those that go into the making of products belonging to other classes.

*Includes in particular:*

1. Compost;
2. Salt for preserving other than foodstuffs.

*Does not include, in particular:*

1. Raw natural resins (Cl. 02);\*
2. Chemical products for use in medical science (Cl. 05);
3. Fungicides, herbicides and preparations for destroying vermin (Cl. 05);
4. Adhesives for stationery or household purposes (Cl. 16);
5. Salt for preserving foodstuffs (Cl. 30);
6. Straw mulch (Cl. 31)."

\* indicates the appropriate class.

Whenever a company claims the rights in a mark, it must use the "TM" designation to alert the public to its claim to the mark. The "TM" designation is generally placed next to the mark, often on the right side of it. If the trademark is registered then the "®" symbol can be used instead of "TM". Unless covered by treaty the registered trademark is only protected in the country in which an application was filed and approval granted by that country's trademark office.

The cost of obtaining initial trademark protection is less than U.S. \$5,000. The cost varies depending on the amount or level of professional law assistance used in preparing the federal application. Upon acceptance the trademark is given a limited term, usually ten or fewer years. Before the expiration of the initial term the owner of the trademark must provide the appropriate trademark officials proof that the mark is being used commercially. If the mark is being used commercially the registration will be continued upon payment of renewal or continuation fee. In the United States the renewal period is ten years. The trademark is periodically checked for commercial use and, upon continued payment of renewal fees the registration is continued. Essentially, the trademark's life is dependent upon its continued commercial use and payment of renewal fees.

Trademark protection prohibits anyone other than the owner from using the mark to identify its goods or services. Only if the owner of the trademark approves can another use it. In addition to this protection the trademark gives constructive notice to the public of ownership of the mark. It may also serve as a basis for registration of the mark in other countries.

## **Plant Variety Protection**

The protection of new plant varieties, especially agricultural crop varieties, is important to breeders, seed companies and users/growers of seed. Protection of new plant varieties is not as wide spread as is the protection for innovations that can be copyrighted, trademarked or patented. A number of developing countries lack plant variety protection laws, however, some of these countries are now in the process of developing such laws. Much of this effort is under the guidance of the International Union for the Protection of New Varieties of Plants.

The International Union for the Protection of New Varieties of Plants (UPOV), an intergovernmental organization, was established to ensure that member states acknowledge the achievements of breeders by making available an exclusive property right, plant variety protection, based on a set of uniform and clearly defined principles. UPOV does not provide plant variety protection or certification itself, but assists countries in establishing plant variety protection principles and promotes international harmonization and cooperation between member states. Presently there are 50 member countries.

Sexually reproduced plants (plants grown from seed) are eligible for plant variety protection as well as tuber propagated plant varieties. F1 hybrids can also be protected. Bacteria and fungi cannot be protected under this program. In order to be considered for protection a variety must be 1) **new**, available for less than 4 years in most countries, 2) **distinct** from all other varieties of the same “kind” of plant, 3) **uniform** in that all plants of the variety look the same and 4) are **stable** in that they truly reproduce themselves – the plants are the same from generation to generation.

To apply for plant variety protection a number of forms need to be completed. These forms will cover the four areas needed to be considered a new variety: newness, distinctness, uniformity and stability. The forms are such that the breeder and/or the owner can complete the forms without the assistance of an attorney. In addition to the forms a sample of seeds must be included with the application for plant variety protection. The fees for plant variety protection are less than U.S. \$5000. The term of protection is generally 20 years for herbaceous plants and 25 years for trees and vines. The rights granted are those of exclusion, the exclusion of selling or marketing the variety by others, offering it for sale, reproducing it, conditioning and/or stocking the variety, importing and/or exporting the variety, using the variety to produce a hybrid or other variety. Other exclusion rights may also apply. These rights apply to the variety, essentially derived varieties, indistinct varieties and harvested materials. Farmers who use the protected variety may also have certain rights too. One of these rights could be to save harvested material for reuse on the farm, i.e., planting in the same fields the next growing season. Protection is granted in only those countries in which an application has been filed.

The owner of the protected variety has certain responsibilities also. These are described in the various countries laws. One such requirement is to notify the public in some manner that the variety is protected under plant variety protection laws. This should be done with each unit of seed sold.

## Patent

Inventions are protected through patents. An invention is an innovation that has three characteristics.

The characteristics are: 1) **novelty** meaning it is new to the patent literature, 2) **non-obviousness** to one skilled in the science or practical applications of the innovation and 3) **utility** or usefulness. Inventions cover many areas including chemistry, medicine, machinery, vehicle parts, computer technology, computer programs, and biotechnology.

Patents rights are obtained from a governmental patent office. Application materials and forms are available from a patent office. Often a patent attorney is used to draft the patent application and complete the appropriate forms. A layman could also draft an application and complete the forms, but if a patent is granted its value is probably very limited. Patent attorneys are skilled in reviewing the patent literature that is necessary to prove the novelty of the invention. Attorneys are able to use the information provided by the innovator and that are learned through the literature search to draft an application that provides the broadest protection for an invention. Laypersons, even scientists, do not have the knowledge or background to develop the application for broad coverage.

One important part of a patent is the section termed “Claims”. The “Claims” are what the invention can do – the patent claims it can do these things. The claimed areas are what the patent protects. The better the claims the better the protection. The broader the claims the better the protection. Working with a patent attorney to get the best patent protection possible is much more expensive than any of the other protection methods, with costs in the United States usually exceeding U.S. \$10,000 per patent. Of course the benefits of a well-written and developed patent may be well worth the expense. A set of four patents, after being licensed, brought the owners more than U.S. \$200 million during the life of the patents, so patenting expenses were no problem.

As with trademark protection and plant variety protection, protection is only granted in those countries in which one applied. An invention protected only in the United States is available to anyone else in the world to use. Protection in other countries is also expensive, so one must be sure the cost of patenting in a number of countries is really of value to the owner of the invention. The question is, will the owner be able to recover patent costs from royalties? If one believes recovery of patent costs is possible then filing in other countries is not a problem.

Because patenting is so expensive, it is necessary to only patent those inventions which can be used profitably by the owner or by a licensee. Invention evaluation is necessary. This evaluation is not a one-time review but a continual review. The review should be done at two levels. One level to determine if one should continue with patenting and the other to ascertain the feasibility of licensing the invention. If either of these, patenting or licensing, appear to be doubtful the patenting process should probably be stopped until a full and complete re-evaluation is done.

To evaluate an invention one needs to review a number of things concerning the invention. Developing a patenting “checklist” for the review is helpful. A sample checklist with a number of important questions is provided below.

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## Sample Patentability Checklist

Below are a number of points for each area to consider prior to approving an invention for patenting. Three areas are covered: the invention itself, patenting considerations, and marketability.

### Invention

What are present competing inventions or alternatives?

Are there other inventions that might compete with this in the near future?

Can the invention be reversing engineered without infringing?

How does this invention differ from current invention (e.g. Key benefits, economic advantages (cost / time saved)? Is it not only different, but better? In what way or ways is it better? How much better is it? What does it replace?

Whom does this invention benefit?

How sure are you that this invention will work for the purpose intended (feasibility)? Does it have single or multiple fields of use?

How mature is the invention? How long would it take to have this in production, or reduce it to

practice and/or to develop a model/prototype?

Is the field moving so quickly that by the time patent issues the invention will be obsolete?

Who sponsored the research that led to this invention and what are their interests and ties to the invention?

Is the sponsor a potential licensee? Will the sponsor reimburse patent costs and has it approved proceeding with an application?

## Patenting

Is this invention so early that any patents obtained will expire before products come to market?

Has another technical person corroborated the results of this research?

Are there any additional manuscripts, publications, papers or presentations covering the invention, which could be used or could result in a patent bar?

How will the prior work by others ("prior art") affect the patenting and/or marketing of the invention?

Would one-of-ordinary skill in the art view this invention as obvious?

Would foreign patent protection be important?

## Marketing

What is the present/ future value of the invention in today's market? Why?

Do any barriers (regulatory, scale-up, level of skill, retooling) exist which would adversely affect a licensee getting this invention to the marketplace?

What/Where is the market?

What need (major/minor) in the market might this fill?

How big is the market (e.g. how many would buy the invention product - a few academic astrophysicists or the general public)? How many major competitors exist? Who controls the market now? What market share is possible? How would one attain that market share?

Is anyone investing in that market? Is the market growing or is it a dying field or an unprofitable one or one that is otherwise out of fashion? Is this market need recognized now or will it have to be developed through advertising and other awareness campaigns?

What is the potential number of invention products sold annually? What is the potential percentage of the market this invention can capture? What is the potential profit?

Can you provide a list of companies in the marketplace who would be potential licensees of the invention and contact persons at these companies?

Are there any additional manuscripts, publications, papers or presentations covering the invention, which could be used in marketing the invention?

Another “tool “ is the invention disclosure form (ID form). This a simple form on which the innovator(s) describe their invention. A completed ID form will provide most of the information needed to begin evaluation of an invention. It also contains enough information for a patent attorney to make a preliminary review and conduct a patent search. Each organization should have a standard ID form for its innovators to use. A sample ID form follows.

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## Sample Invention Disclosure Form

Name of person submitting the ID form:

Title of Invention:

Name(s) of Inventor(s):

Sponsor of research leading to invention: Organization or other, if other list.

Was there a consulting arrangement with the sponsor ?

Has the invention been disclosed to anyone outside of the organization?

If yes, to whom?

Form of the disclosure – oral or written?

Was there a confidential disclosure agreement in place at the time of disclosure?

Date disclosed.

Is (are) the inventor(s) planning to disclose the invention in the near future?

If yes, when?

Where?

To Whom?

Describe in general terms the objectives of the invention.

List the advantages of this invention over previous approaches or methods in the area of the invention.

What specific features of the invention make it more advantageous than previous or current approaches?

Describe in detail the steps that need to be taken to implement or construct the invention.

What is the stage of development of the invention now?

Have any prototypes, samples, etc. been made and are any available for examination?

Describe what steps would need to be taken to commercialize this invention?

What markets could use this invention?

Include any other pertinent information relevant to the invention.

List key words that describe the invention.



- 5) Key contact person (name and title):
- 6) E-mail address:

**c. Plant Variety Protection:**

- 1) Office name:
- 2) Street address:
- 3) Telephone number:
- 4) Fax number:
- 5) Key contact person (name and title):
- 6) Office name:
- 7) Street address:

**d. Patent:**

- 1) Telephone number:
- 2) Fax number:
- 3) Key contact person (name and title):
- 4) E-mail address:
- 5) E-mail address:

**e. Contract Law attorney**

- 1) Office name:
- 2) Street address:
- 3) Telephone number:
- 4) Fax number:
- 5) Key contact person (name and title):
- 6) E-mail address:

3. List key persons in your immediate area who have expertise in any of the areas listed below and would be available to assist you in preparing for or defending of innovations protected by government laws:

**a. Copyright:**

- 1) Name and title:
- 2) Address:
- 3) Phone number:
- 4) Fax number:
- 5) E-mail address
- 6) Special considerations:

**b. Trademark:**

- 1) Name and title:
- 2) Address:
- 3) Phone number:
- 4) Fax number:
- 5) E-mail address
- 6) Special considerations:

**c. Plant Variety Protection:**

- 1) Name and title:
- 2) Address:
- 3) Phone number:
- 4) Fax number:
- 5) E-mail address
- 6) Special considerations:

**d. Patents:**

- 1) Name and title:
- 2) Address:
- 3) Phone number:
- 4) Fax number:
- 5) E-mail address
- 6) Special considerations:

## Internet Addresses

<http://www.upov.int/>

### **International Union for the Protection of New Varieties of Plants (UPOV)**

*This site lists the addresses of plant variety protection offices in countries that are members of UPOV.*

<http://www.wipo.org>

### **World Intellectual Property Organization (WIPO)**

*This site lists the addresses of patent, trademark and copyright offices.*

<http://www.wto.org>

### **World Trade Organization (WTO)**

*This site has information related to intellectual properties including the TRIPS Agreement (Trade-Related Aspects of Intellectual Property Rights Agreement). The TRIPS Agreement, which came into effect on January 1, 1995, is a very comprehensive multilateral intellectual property agreement affecting most countries.*