

# Transferring Technology to the Commercial Marketplace

## Collaborating with Industry



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# University-Industry Relationships in the U.S.: The Many Options

- Single sponsor/single SOW research projects
- Consortia (many companies funding together)
- Cooperative Research (government funded with company)
- Master/Umbrella Agreements
- Long-term Alliance Agreements
- Joint Studies/no cost
- Visiting Scientist Exchange Agreements
- Material Transfer Agreements



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# Standardized Terms Generally Found

- Inventions are owned according to U.S. patent law
  - **Mine, yours, ours**
  - **No accounting or licensing approvals required where patents are jointly owned through co-inventorship**
  - **Invention ownership is not assigned to industry: fairly universal rejection by universities of “we paid for it so we own it” philosophy**
- Same with copyrights and all other IP
- Publication delays only for sponsor confidential information and potential patents
  - **Usually a 90 day limit**



# More Standardized Terms

- Research sponsors do receive license grants
  - **Most common: Royalty-free, non-exclusive license without right to sublicense; option to negotiate a royalty-bearing exclusive license**
  - **Uncommon: Royalty-bearing license to be negotiated**
  - **Middle ground: Royalty-free, non-exclusive for non-commercial purposes**
- Royalty rates
  - **Most common: Fair and reasonable to be negotiated**
  - **Uncommon: Pre-set in research agreement**
  - **Possible middle ground: Floor > Ceiling set in research agreement**



# And, More Standardized Terms

- Who Files?
  - **Common: University files through patent counsel of choice**
  - **Not quite so common: University permits industry sponsor to file provided university has right of review and comment**
  - **Issue: Who is the client?**



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# And, More Standardized Terms

- Payment of patent costs
  - **Most common: Sponsor/licensee to pay if license is exclusive**
  - **Uncommon: University undertakes obligation to file and always pays**
  - **Middle ground: Sponsor to pay to ensure patent application is filed; otherwise discretionary with university**



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# Identifying Clauses That Play a Role in Technology Transfer

- The parties (who will be the “licensee” if IP is developed)
- Typical clauses involving intellectual property rights/obligations
  - **Definitions of “invention” and other IP**
  - **Requirement to disclose**
  - **Patent filing obligations; foreign filing elections and who pays**



# Identifying Clauses That Play a Role in Technology Transfer

- Typical clauses involving intellectual property rights/obligations
  - **License rights- patents/copyrights/software/trp**
    - o Vesting under research contract (“hereby grants” vs. “agrees to grant”)
    - o Option periods
    - o License terms
  - **Background rights**
  - **IP warranties, representations**





# The Background Rights Dilemma

- Background rights – rights to university's pre-existing, concurrently developed and in some cases “to be developed” IP outside of the scope of the research program.
- Typical clause requires university to give/license the sponsoring company rights to use any other IP owned by the university that is necessary for/useful for practicing inventions/copyrights or all research results developed during the project. Right is usually open-ended – no time limit on the obligation or exercise of it



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## The Problem with Background Rights: A Clearer View

- Impossible to speculate what university IP will be encumbered because:
  - **Invention to which background rights are tied hasn't been made yet**
  - **Impossible to know how the sponsor may at some future time use an invention, copyright or other research result**
- Provides industry with entitlement to unfunded IP
- Ties up IP developed by investigator who never took sponsor funding –diminishes the rights/expectations of unsuspecting inventor



## The Problem with Background Rights: A Clearer View

- Guts university tech transfer program because background is not licensed for benefit of the public (but is used defensively for benefit of a single company). Requires collateral IP (if identifiable) to be put “on hold”
- Impacts future sponsored research. One company’s background is another company’s reason to sponsor



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# Crawling Out of the Background Rights Dilemma

- Limit to inventions of named research team – not entire university
- Limit to “required” for commercialization of licensed inventions – not “useful” for commercialization of research results
- Limit to “extent university has right to license”
- Put time limitation on – e.g. inventions made one year after termination of research contract
- Require royalties to be paid; no consideration for royalty-free



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