COLLABORATING WITHOUT LOSING YOUR INVENTION RIGHTS

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AGENDA

- Why do you need to know about IP
- Risk of litigation
- Loss of Rights
- Who is an inventor
- Ownership rights
- How to collaborate without losing rights
Disclaimer:

The information provided in this document does not constitute legal or business advice but is designed to provide general information. The information provided is not a substitute for obtaining the advice of competent professionals, for example; intellectual property experts, marketing professionals, or financial advisers.
What do technology-based companies/entrepreneurs generally need to ensure a sustainable competitive advantage?

‘Intellectual Properties’

- **Patents,**
- **Copyrights,**
- **Trademarks,**
- **Trade Secrets.**
HOW DO WE HAVE /USE/ GET AROUND IPs?

LIKE A PERSONAL PROPERTY, YOU COULD:

● INVENT/CREATE

● LICENSE

● CIRCUMVENT (DESIGN AROUND)

● INFRINGE (WILLING TO GO TO COURT)

● WAIT FOR EXPIRATION (e.g., PROZAC)
WHY DO I NEED TO KNOW ABOUT IP?
Robert had both a valid patent and an NDA with Ford.

Ford offered Robert Kearns a $30m settlement, with no admission of wrongdoing on Ford's part.

Robert refused, court decided that Ford's infringement was not deliberate but awarded him $10.1m and the right to claim his invention as his own.

Robert later sued Chrysler and won $18.7m.
Public disclosure: any communication, verbal or written; allowing someone else to reproduce your invention, e.g.,:

- Publishing
- Poster presentation
- Seminars
- Non-confidential conversations outside the university
- Student thesis
- Awarded grant proposal (under the Freedom of Information Act)

- Public disclosure bars international patent protection, however, there is one-year grace period for protection in the US.

- "first to file" patent system affects every U.S. patent filed on or after March 16, 2013.

Discuss the benefits of what you are doing without divulging the “KNOWHOW”.
Under U.S. patent law, “invention” has two aspects:

1) Conception is the formation in the mind of the inventor(s) of a definite and permanent idea of the complete and operative invention.

2) Reduction to practice is the process of showing that the claimed invention works for its purpose.

- Inventors are only those who **conceive** of the ideas embodied in the claims of the patent; **reduction to practice is not inventorship**.

- Colleagues, mentors, advisors, department chairs, students and research assistants are **not co-inventors** unless they **conceive of part** of the claimed invention.

- Inventorship is tied to the subject matter of the **claims at issue**. As a result, the inventorship determination can change during prosecution, as claims are amended, abandoned, or deferred for prosecution.

**Incorrect designation of inventorship could result in patent invalidation.**
What does conception require?

- Conception needs to be so clear in the inventor’s mind that "only ordinary skill would be necessary to reduce the invention to practice, without extensive research or experimentation."

- Courts want to see a “specific, settled idea” rather than a “general goal or research plan to pursue.”

- Conception “must encompass all limitations of the claimed invention.”
Legal inventorship ≠ authorship of a journal article

- Discovering, defining, or discussing a problem is not inventorship, nor is suggesting a desired result without conceiving of the corresponding idea or solution,

- Assisting inventor in reducing the invention to practice is not inventorship, nor is contributing obvious elements and/or improvements,

- Providing the inventor with well-known principles or explaining the state of the art is not inventorship,

- Evaluating the invention or carrying out experiments or following instructions to confirm that the invention works is not inventorship.
WHAT IS ‘PATENT INVENTORSHIP’?

What are the tests for joint inventorship?

- There must be an **objective assessment** of collaborators’ contribution to the invention;
- In assessing the weight to be given to that contribution, one should ask first whether his contribution **beneficially affected** the final concept of the claimed invention and secondly, whether that final conception would have been **less efficient** without his contribution;
- It is also legitimate to ask whether the invention would have **occurred without** the claimant’s involvement; and
- Evidence of collaboration is useful in assessing objectively whether there has been a relevant contribution.
Like personal properties; original makers may not own it,

Ownership is defined in employment contracts (regardless of work hours); and usually assigned to employers in return for incentives (companies) or royalties (government/universities),

The inventor is the default owner if no agreements exist,

Patent owners are not necessarily entitled to practice their inventions,

US patent laws give co-owners equal rights; without consent of or accounting to other owners. This means that university’s inventor would not receive compensation from co-owner unless co-owner licenses university’s rights.
Always discuss inventorship early in the drafting process with patent counsel,

- Describe co-worker's contribution to conception, rather than reduction to practice or academic authorship,

- Periodically we/you need to re-assess inventorship as prosecution advances and claims are withdrawn or amended,

- Keep patent counsel apprised of any needed changes in inventorship, either by mistake or otherwise,
Avoid asserting the assumption in collaborators' minds that they might be co-inventors,

Limit the “potential” co-inventors invited to the first meeting to the key 1-2 people max,

Make it clear in the invention disclosure form that inventorship is a legal standard and will be determined at the time the claims are drafted,

If a patent application lists too many people, don’t believe that everyone is a co-inventor under U.S. patent law,

Similarly, ask questions if an obvious candidate for co-inventorship is not listed on an application (e.g. lead co-author).
If an inventorship analysis is needed:

• Ensure an open/transparent dialogue with your counterparts at other universities/companies on the process and conclusions that are drawn along the way,

• Don’t wait to convey final conclusions only,

• Document your collaborators’ discussions/processes and any conclusions thoroughly,

• Remember we all have to manage strong personalities.
Non-disclosure agreements (NDAs) are used when:

1) An inventor wants to pitch an idea to a potential sponsor, licensee, buyer, investor and vice versa,

2) A company wants to hire you to work on their invention, and vice versa.

The first meeting should be done without a nondisclosure agreement, if possible. If the parties identify confidential information in the first meeting, the parties should sign the nondisclosure agreement. However, preferably, you don’t start the first meeting with the nondisclosure agreement.
When NDAs are not recommended?

The NDA is an invitation to a lawsuit. As such, until the parties can identify a piece of sensitive information that is crucial to the discussion, an NDA it is not recommend.

- Although the initial cost for the non-disclosure agreement is cheap, the cost to enforce the contract is very high compared to the cost of securing patent pendency for your invention.
Examples of problematic relationships with NDAs:

- Parties may argue about who owned which idea, especially when the recipient creates an improved version of your idea. For example, after executing an NDA, the inventor describes the idea to recipient, thereafter, the recipient makes suggestions downstream of inventor’s ideas. Now, suggestions are ideas that belong to the recipient, not the inventor. If those suggestions are valuable, then the recipient may now own a useful improvement to the basic idea,

- More common situation is where the inventor discloses a basic idea, but the recipient suggests something that is an obvious variant of the underlying invention. The inventor may have already thought of these obvious variants. In this scenario, if the inventor incorporates those obvious variants into their patent application or their product, the recipient may now complain that you or the inventor stole their idea.
Patent pendency protects you against people who would file their own improvement to your invention. Your patent-pending application gives you priority because you filed your patent application first. No time or money needs to be wasted on a lawsuit to reserve the right to get a patent.

However, recipients may do the same thing; i.e., decide early on to file a patent application before starting a sponsored research contract and name themselves co-inventors by contributing to conceptualization (remember who is not an inventor). Alternatively, they could wait until the end of sponsorship and claim the same. Therefore, avoid taking a license or share revenue with you!
Material Transfer Agreement (MTA) could also be problematic:

- Nearly every MTA will address IP matters such as the disclosing of inventions, the prosecuting of patents, and granting of options and licenses,

- MTA may contain overarching IP language (reach through rights) that can reach to a researcher’s and/or institution’s past inventions and future inventions, which may have little or nothing to do with the materials provided (e.g., +ve controls) and could impact the researcher's ability to continue doing related research.
MTAs could also be problematic:

- The MTA may specify that the recipient disclose, assign, and/or license any inventions to the provider, free of any royalties and fees. While most institutions will agree to certain licensing rights, they are generally unable to assign an invention because doing so may violate:

  1. Bayh-Dole Act,
  2. Tax Reform Act of 1986,
  3. Principles and Guidelines for Recipients of NIH Research Grants and Contracts on Obtaining and Disseminating Biomedical Research Resources (by restricting the accessibility of research materials),
  4. Recipient’s own principles, policies, and practices if the invention was not developed for the public benefit,
  5. Other laws, regulations, rules and policies.
MTAs could also be problematic:

- It is reasonable to grant a limited subset of IP rights to the provider of the materials to the extent that the recipient is legally able to do so. For example, recipient could grant a nonexclusive royalty-free research license to any inventions that necessarily use or necessarily incorporate the material and are conceived and first reduced to practice in the performance of the research,

- Recipient, in many cases, may be able to grant a first right or an option to negotiate a non-exclusive or exclusive commercial license to such inventions.
Sponsored Research Agreements (SRAs) could be problematic:

- Neutral language is standard/preferred: “Yours, Mine & Ours”—However, sponsor could disagree and requests to own all rights:
  - Generally not allowed under Bayh-Dole Act, VA and Tax Codes,
  - Allowed if sponsor agrees to pay 200% of direct cost (ODU’s Facilities Policy), and there are no federal funds involved (Bayh-Dole Act),
  - Be careful if ownership would block future research in university (ensure non-assertion rights),
Sponsored Research Agreements (SRAs) could be problematic:

- University/research institution owns all rights:
  - Most common with offering an option to license or licensing rights, however, sponsor could dictate predefined terms, which is not allowed because it would be predicting ‘value in exchange’ before work begins.
Sponsored Research Agreements (SRAs) could be problematic:

- Joint inventorship/ownership:
  - Sponsor may not take a license and not obligated to share royalty with university/inventor,
  - US patent laws give each party an undivided interest in the entirety of patent with no duty to account to other party,
  - Creates significant relationships issues (problematic with companies, not universities): Is the sponsor a real co-inventor? what happens if the sponsor’s patent claim is rejected? Who decides what is patentable? Prosecution decisions? Not interested in patenting? Jurisdictions (rules in JP and UK benefit 3rd parties resulting in different obligations/responsibilities in different countries).
HOW TO COLLABORATE WITHOUT LOSING RIGHTS?

- Work-for-Hire agreement is very problematic:

  - "The product of all work performed under this Agreement ("Work Product"), including without limitation all notes, reports, documentation, drawings, computer programs, inventions, creations, works, devices, models, work-in-progress and deliverables will be the sole property of the Client, and Contractor hereby assigns to the Client all right, title and interest therein, including but not limited to all audiovisual, literary, moral rights and other copyrights, patent rights, trade secret rights and other proprietary rights therein. Contractor retains no right to use the Work Product and agree not to challenge the validity of the Client’s ownership in the Work Product”.

- Allowed only if:
  
  - Sponsor provides detailed protocol to what is required; i.e. contractor is “following orders”; i.e., not a research project,
  - No federal funds,
  - Facilities rate is paid (not federal rate),
  - Work made for and owned by the Commonwealth of Virginia.
CONTACT DETAILS

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