Posted on: July 1, 2010

AVOIDING TECHNOLOGY TRANSFER CLAIMS BY INSTITUTIONAL INVENTORS

July 2010

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prepared for Richards Buell Sutton's Intellectual Property Newsletter

Introduction

Technology transfer refers to the transfer of scientific findings from one organization to another for the purpose of development and commercialization. During the process of technology innovation and transfer, there are many individuals that are employed by, or affiliated with, an institution, that may be inventors and contributors to a specific technology. This article focuses on the types of claims that could arise against an institution from these individuals, and how institutions can minimize the risk of these potential claims and disputes.

Who Might Make a Claim Against an Institution?

Faculty members, graduate students and staff that are employed by an institution are usually bound by institutional policies and/or employment agreements as a term of their employment. Other persons that work with institutional technology may not be covered by policies or agreements, such as undergraduate students, post-docs and visiting professors. Any of these individuals could potentially make a claim against an institution.

It should be noted that many European countries (including the U.K.) have statutes that give employees the right to compensation from their employers for inventions made by the employees during the course of their employment. This can result in substantial compensation awards made to employee inventors. Institutions should take this into consideration when visiting professors and students from Europe make a contribution to an invention while at an institution in British Columbia.

What Types of Claims Can Be Made?

The process of technology transfer generally involves the discovery of new technology, protecting the technology by registering intellectual property rights (e.g. patents, copyrights and industrial designs), and

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developing and commercializing the technology, e.g. through marketing and licensing. Some examples of claims that can arise throughout the technology transfer process are as follows:

(a) Ownership of Inventions: It is common for institutions to assume that they own any inventions that are made by their employees within an institution's facilities. However, not all institutions have implemented intellectual property policies or employment agreements that expressly address ownership and assignment of inventions. An institution may also overlook non-employees that work with the technology, e.g. undergraduate students, post-docs and visiting professors, who are not covered by the institution's policies and employment agreements. In any of these cases, the ownership of an invention can be challenged and an institution may be found to have no rights in an invention.

(b) Negligence: An institution often accepts the responsibility of managing the development and commercialization of an invention. Inventors may be able to allege negligent mismanagement by the institution if it misses a patent filing deadline, fails to collect a payment due to the institution, negotiates a flawed license agreement, or fails to prudently deal with equity held by the institution.

(c) Breach of Policy: Many academic institutions have policies that govern ownership and assignment of inventions and respective entitlement to revenue (e.g. royalties, equity) between the institution and the inventors of the technology. Inventors may be able to allege breach of such policies if an institution fails to follow such policy, e.g. by failing to identify and compensate an inventor or contributor of a technology in accordance with the terms of an intellectual property policy.

(d) Breach of Contract: There may also be separate contracts that govern the relationship between the institution and inventors, e.g. research, management, employment, patent and royalty-sharing agreements. Inventors may be able to allege breach of contract if an institution does not act in accordance with the terms of any such agreement(s), for example, failure to pay out inventors under a royalty-sharing agreement.

(e) Breach of a Fiduciary Duty: In a fiduciary relationship, one party has agreed to act on behalf of the other party under circumstances which give rise to a relationship of trust and confidence. When an institution takes ownership of an invention, manages its development and commercialization and is required to share resulting revenue with the inventors, it may in some circumstances owe a fiduciary duty to act for the benefit and interests of the inventors.

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An inventor may therefore be able to claim breach of a fiduciary duty by an institution if an institution fails to act in the best interests of the inventor, for example, for failure to prudently manage a technology, neglecting to pay out compensation that is due to an inventor, or the types of claims described under (a) Negligence above.

How Can Institutions Avoid Claims?

1. An institution can do some early investigation on the origin of a technology, once it has been disclosed, i.e.:

(a) Identify all inventors and contributors to a technology, particularly any people who may have gaps in their association with the institution;
(b) Watch out for contributions made by visiting scientists, professors and post-docs. They may not be covered by institutional intellectual property policies, and therefore there may be claims by either the visiting scientist / professor / post-doc, or their home institution, to any technology that they invent while at the institution;
(c) Check sources of direct and indirect funding that may have led to an invention and may therefore create option or other intellectual property rights in a technology;
(d) Have inventors sign intellectual property assignments before the invention reaches the commercialization stage, and do not provide any representations to third parties regarding intellectual property ownership unless such assignments have been obtained;
(e) Have inventors agree in writing on a contribution or royalty split formula.

2. In some cases, it may be appropriate for an institution to assign a technology back to an inventor. For example, if the institution determines that the technology is not worth commercialising.

3. When an institution is required to manage an equity portfolio as part of the commercialization revenue, it should avoid retaining equity to avoid creating possible tax liabilities for the inventors. Where possible, the institution should transfer the inventors' share of any equity into the hands of the inventors as soon as possible.

4. It may be helpful to consult with the inventors on key decisions regarding the management of their invention. However, institutions should try not to accept an "obligation" to consult, for example, by entering into a management agreement that requires the institution to consult with the inventors regarding the management of the technology.

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5. Institutions should document important steps and decisions taken with respect to a technology. For example, if an institution makes a reasonable decision to abandon a patent, this should be well documented in its files.

6. It is often the institution's role to negotiate licence agreements with third parties. The institution should make every reasonable effort to protect the technology and maximize its value. Institutions should therefore avoid agreeing to a maximum or fixed royalty buy-out price, and document the `back and forth` negotiations leading up to the final agreement. This mitigates against claims that the institution negotiated a flawed license agreement or accepted an unreasonably low royalty rate.

7. In the course of negotiations, institutions may (either formally or informally) arrange for research funding or other benefits from licensees in lieu of royalty payments. If these other benefits are not shared with inventors, the inventors may object and claim a portion of such benefits. Therefore, institutions should avoid trading off royalties in favour of other benefits to the institution unless the inventors have expressly agree to this, and/or expressly waived their rights to such payments.

8. In employment contracts with employees that will be involved with technology, institutions should include express terms confirming ownership of inventions by the institution, or incorporation of specific intellectual property policies by reference. Institutions may also wish to consider detailed job descriptions, including a "duty to invent" where applicable. They should ensure that inventors and researchers are generally aware of applicable policies.

9. Institutions should manage patent portfolios in a reasonable and prudent fashion, for example, ensuring that patent deadlines are not missed and retaining patent counsel when required.

10. Institutions should consider when an inventor may be in a conflict of interest position, and when he/she may need to obtain independent legal and tax advice.

Conclusion

Institutions may be alleged to have obligations to manage technology in a commercially reasonable manner. To avoid liability from inventors, they should implement clear intellectual property policies and employment agreements, ensure strong communication with inventors when appropriate, and document important decisions and negotiations.

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