

WHAT YOU SHOULD KNOW ABOUT INTELLECTUAL PROPERTY IN COLLABORATIVE RESEARCH AGREEMENTS

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Factors Affecting IP Rights in Collaborative Research Projects

- What is being developed? Applicable IP regime
- Works of authorship, reports, software, databases (copyright)
- Inventions (patent law)
- Proprietary information (trade secret law)

- Who is developing it? Applicable ownership defaults
- Employee or independent contractor
- Employee of government, university or private sector entity

- Where is it being developed? Applicable national laws
- In Canada by “Canadians”
- In foreign country by foreigners

Ways to Vary the IP Defaults

- Assignment
 - Waiver
 - Licence
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- All forms of contract or aspects of a larger contract
 - Employment agreements
 - University policies
 - Funding agreements
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- ALL MUST BE READ, UNDERSTOOD AND CHECKED FOR CONSISTENCY WITH EACH OTHER

Different regimes of IP protection

- Intellectual Property Rights
 - Statutory IP rights include
 - copyright
 - patent rights
 - other rights (i.e. trademark rights and industrial design rights)
 - Each right protects a different feature or aspect
 - Various aspects of technology/work product may be protected by one or more of these rights

Different regimes of IP protection

- Copyright
 - Protects the fixed expression or representation of an idea but not the underlying idea itself
 - Copyright can reside in:
 - software in any expressed form (i.e. source code)
 - computer programs
 - screen layouts
 - graphical user interfaces (GUI)
 - databases
 - technical manuals/reports/specifications/drawings

Different regimes of IP protection

- Copyright
 - Ownership of copyright in Canada
 - General rule: the author of the work is considered to be the first owner of copyright in the work
 - Exception: unless the author of the work was in the employment of another person under a contract of service and the work was made in the course of that employment, then that other person by whom the author is employed is the first owner of copyright
 - Contract of service (employee) vs. contract for service (independent contractor)
 - In the absence of a written assignment of copyright, an independent contractor will own the copyright in his/her work **[NTD: need to confirm.]**

Different regimes of IP protection

- Copyright
 - Ownership of Copyright in the U.S.
 - “Works made for hire” doctrine
 - Party who hired the creator of the work is deemed to be the author of the work (and owner of copyright) if:
 - (1) the work is prepared by an employee within the scope of his or her employment; or
 - (2) the following conditions are met: (a) the work is specially ordered or commissioned; (b) the work comes within one of the limited categories of works; and (c) and there is a written agreement between the parties specifying that the work is a work made for hire

Different regimes of IP protection

- Copyright
 - Co-ownership of copyright may arise where:
 - the work has been jointly authored
 - there has been a partial assignment of copyright
 - Distinction between works of joint authorship and collective works
 - In a work of joint authorship, you cannot distinguish one author's contribution from another's and the authors are joint owners of the copyright in the work
 - In a collective work, each contribution is separate and each author is the sole owner of his/her contribution. There is an over arching copyright in the combined work

Different regimes of IP protection

- Copyright
 - Joint ownership of copyright has different implications in Canada and the U.S.
 - In Canada, a co-owner may not license the work to a third party without the consent of the other co-owner(s)
 - In the U.S., each co-owner may license the work to a third party on a non-exclusive basis, but is required to account to the other co-owner(s) for profits earned from licensing
 - Co-owners may enter into an agreement governing their respective rights in the copyrighted work

Different regimes of IP protection

- Patents
 - Patents protect the functional features of an invention (i.e. how it works)
 - An invention may be any new, non-obvious and useful
 - machine (i.e. mechanical or electro-mechanical device)
 - process or method (i.e. a process for weather-treating lumber)
 - manufacture (product of a process)
 - composition of matter (i.e. chemical compound or substance)
 - art

Different regimes of IP protection

- Patents
 - All rights in patents derive from the inventor(s)
 - In the absence of an assignment to a third party, the inventor(s) of the invention own the patent rights
 - Inventorship is determined based on legal principles unlike attribution of authorship for technical papers which may be based on academic standards or custom, or other factors
 - Patents may be owned jointly by two or more persons, for example:
 - patent granted to joint inventors
 - assignment of part-interest in the patent

Different regimes of IP protection

- Patents
 - Joint ownership of patents has different implications in Canada and the U.S.
 - In Canada, a co-owner cannot dispose of anything less than his entire interest in the patent (including granting licenses to third parties) without the consent of the other co-owner
 - In the U.S., the co-owner of a patent may dispose of his entire interest in the patent or any part thereof (including granting licenses to third parties) without having to account to the other co-owner
 - Joint owners may contract out of either regime and enter into an agreement governing their respective rights

Different regimes of IP protection

- Confidential Information/Trade Secrets
 - can be of a technical nature
 - formulae or recipe
 - manufacturing process
 - operational parameters
 - algorithms
 - classification of information as confidential information/trade secret will depend on
 - the nature of the information
 - the nature of the relationship between the parties
 - Joint ownership is possible

Common Problems in Collaborative Research Agreements

- Considering IP issues only after the IP is developed
- Failure to get signed waiver, assignment or licence
- Signing everything without careful analysis
- Inconsistent agreements
- Vague provisions

Common Problems in Collaborative Research Agreements

- Inadequate framework for:
 - the identification of IP
 - the ownership of IP
 - the protection of IP
 - the exploitation or commercialization of IP
 - the enforcement of IP

Common Problems in Collaborative Research Agreements

- Problems with the identification of IP
 - Defining the IP too narrowly (e.g. focusing on inventions, but failing to include works of authorship, software, data or trade secrets)
 - The lack of a comprehensive definition of IP can create problems:
 - it can result in the application of the default regimes for IP ownership
 - it can create gaps in the rights being licensed to either party, particularly, when the license granting provisions in the research agreement are tied to the definition of IP

Common Problems in Collaborative Research Agreements

- Problems with the identification of IP
 - Failing to properly define Background IP (IP developed by a party prior to the agreement or outside the scope of the agreement) can lead to problems particularly where the Background IP may be required to exploit the IP developed pursuant to the research agreement

Common Problems in Collaborative Research Agreements

- Solutions
 - Include a comprehensive definition for IP, for example:
 - “Intellectual Property means any and all inventions, works of authorship, software in any expressed form, computer programs, screen layouts, graphical user interfaces, systems, applications, specifications, compilations, source code, object code, executable code and pseudo code, formulas, algorithms, methods, processes, techniques, designs, circuit layouts, developments, concepts, ideas, improvements, know-how, trade secrets, data, documentation including but not limited to technical documentation and reports”
 - Include definitions for Background IP and Project IP to distinguish between IP developed prior to (or outside the scope of) the project and IP developed in the performance of the Project

Common Problems in Collaborative Research Agreements

- Ownership Problems
 - Failing to appreciate the status of the project participants (employees, independent consultants, researchers, professors, students, etc.) and how this status may change during the multi-year term of a research agreement, can have surprising consequences on who owns the IP
 - Chain of title issues
 - Inconsistent or conflicting ownership provisions in the various agreements related to the research project
 - Creating a regime of joint ownership for IP developed pursuant to the agreement, but failing to clearly state what the rights of each co-owner are in respect of the jointly-owned IP

Common Problems in Collaborative Research Agreements

- Solutions
 - Ascertain the status of all project participants prior to the start of the project and understand how the default regimes of IP ownership apply to each of these participants
 - Identify any possible gaps in the chain of title and, if necessary, have project participants enter into IP rights transfer agreements
 - Review the ownership provisions in the various agreements to ensure consistency and consider adding supremacy of document clause to the research agreement

Common Problems in Collaborative Research Agreements

- Solutions
 - If joint ownership of IP is contemplated, clearly state in the research agreement:
 - any restrictions on the transfer or sale of a party's interest in the IP
 - any restrictions on the use of the IP by either party
 - any restrictions on the licensing of the IP by either party
 - whether either party will be obliged to account to the other for any profits from the licensing of the IP

Common Problems in Collaborative Research Agreements

- Problems affecting IP protection
 - Failing to ascertain which IP can be publicly disclosed and when, can have disastrous consequences on the availability of certain regimes of protection for the IP
 - A public disclosure of the subject matter of the invention prior to filing a patent can destroy novelty and adversely impact on the patentability of the invention
 - A public disclosure of subject matter which should be maintained confidential destroys trade secret protection

Common Problems in Collaborative Research Agreements

- Problems affecting IP protection
 - Failing to provide a clear framework for publication to ensure proper IP protection can be put in place prior to publication can result in hurried and incomplete patent filings
 - Failing to address who will be responsible for, and bear the costs of, applying for IP protection and maintaining such protection, can create uncertainty and lead to conflict

Common Problems in Collaborative Research Agreements

- Solutions
 - Establish a mechanism to vet any public disclosure materials (*e.g.* presentation materials, technical papers, etc.) prior to publication to prevent IP rights from being forfeited
 - In respect of publication, stipulate in the research agreement:
 - the consents required for publication
 - the permitted grounds of objection
 - the consequences of such objections
 - reasonable timelines for providing advance notice of publication, dealing with objections and putting proper IP protection in place

Common Problems in Collaborative Research Agreements

- Solutions
 - In respect of procuring protection for the IP, identify in the research agreement:
 - the role or involvement each party will have in the filing, prosecution and maintenance of any application or registration for IP protection
 - (e.g. who will make the decisions regarding the content and scope of any application? or matters arising during prosecution?)
 - potential consequences of such involvement (or the lack thereof) on the ownership of any applications or registrations
 - the geographic considerations (i.e. where to file?)
 - the consents required from either party to effect the filing
 - the contribution of each party to the costs to be incurred

Common Problems in Collaborative Research Agreements

- Problems affecting the commercialization of IP
 - The more exclusive the grant of a license, the more valuable it is and the greater its potential to generate revenue for the licensor
 - Vague or broad license granting provisions in favour of one party can adversely impact on the other party's ability to generate value through licensing because it can "dilute" the exclusive nature of the grant

Common Problems in Collaborative Research Agreements

- Problems affecting the commercialization of IP
 - Commonly-found deficiencies include:
 - the lack of territorial restrictions resulting in a license having a potentially worldwide territorial scope as a default
 - the lack of field of use restrictions resulting in overly broad licensed uses
 - the potential ambiguity of a grant of licensed rights for “internal research purposes” (this term is often not defined)
 - lack of restrictions on the transfer or the sublicensing the licensed rights

Common Problems in Collaborative Research Agreements

- Problems affecting the commercialization of IP
 - Absence of licensing provisions for Background IP can inhibit the commercialization the IP if the Background IP is required to practice the invention
 - **[NTD: anything else, Ian?]**

Common Problems in Collaborative Research Agreements

- Solutions
 - Consider granting a forbearance to sue for certain uses of IP, instead of granting a license (a forbearance to sue is more restrictive)
 - Clearly define the terms of the license and where appropriate, provide:
 - territorial limitations in the license
 - suitable field of use restrictions (i.e. for research, scholarly publication, educational and all other non-commercial uses)
 - restrictions on transfer or sublicensing of licensed rights
 - licenses for required Background IP

Common Problems in Collaborative Research Agreements

- Problems affecting the enforcement and defence of IP
 - Provisions dealing with the enforcement and defence of IP are common in license agreements
 - However, many collaborative research agreements are silent on the role of each party in enforcing the IP against infringers or defending the IP from attack
 - Failing to provide a framework for enforcement and defence of the IP can give rise to conflicts between the parties when an infringement situation does occur

Common Problems in Collaborative Research Agreements

- Solutions
 - Clearly set out who can initiate a suit against a third party infringer of the IP and under what conditions
 - Establish a clear framework which addresses:
 - the role of each party in any litigation (including the provision of assistance)
 - how the legal expenses incurred in connection with IP enforcement proceedings are to be shared by the parties (if at all)
 - how any monetary award or settlement amount is to be shared by the parties (if at all)
 - whether consent from all the co-owners will be required to effect a settlement

Factors to Consider in Preparing IP Plan

- What IP is likely to be developed/where/by whom/with what funding
- Who is best able to exploit it commercially
- Who ought to be charged with IP protection measures (developing policies and forms, registrations, renewals, rights clearance, licensing)
- Who ought to be charged with use monitoring and enforcement
- How should costs be shared
- How should revenues be shared





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