

IP Contract Analysis

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Context

- The students get a fictitious research collaboration agreement. They also get some facts about the research collaboration as such.
- The agreement is not complete, i.e. some clauses are missing.
- The students are informed that this agreement is not “perfect” (and that indeed, to a large extent it is not possible to judge an agreement to be “good” or “bad” – it all depends on the context and which party you represent).

Context Cont.

- The students should:
 - Spot the mistakes or problems
 - Be able to explain the consequences of a certain clause
 - Spot what was missing from the agreement
 - Be able to explain the consequences of a) not regulating a certain issue and b) regulating a certain issue
 - Suggest amended and/or additional clauses
 - Suggest additional agreements

Purpose

- By having to draft some clauses themselves,, the students learn that a certain clause does not always look the same.
- By drafting the clause, the students get to think about how even different words matter. Which are the consequences of the different alternatives?
- Agreements are social constructions

How Is IP Contract Analysis Different from Learning the Law?

- Learning the law is often focused on “what would the outcome of a given situation be in court”. What “is” the law?
- The question is usually limited to one area of law. An agreement is generally not possible to sort in to one area of law only.
- Even though it is necessary to know the law, it is not sufficient.
- There are a number of options on how certain issues can be regulated, which I will show in my examples.
- In order to consider the effect for one party, one must consider the sum of all these pieces.

How Is IP Contract Analysis Different from Learning the Law? Cont.

- Students have to know the law **but** they also have to apply the law. This means that they have to:
 - Work around the fact that an agreement is negotiated between two or more parties;
 - Consider other agreements any of the parties may have entered into which may have an effect on this specific agreement;
 - Consider the consequences of drafting a clause in a specific way; and
 - Work within the contractual freedom.

Contract Analysis on Three Levels

- Outwards -> inwards
- Level 1: the relationship between different agreements
- Level 2: the relationship between different clauses in the agreement
- Level 3: clause construction of the individual clause

Purpose of the Research Collaboration Agreement

- One very important purpose of the research collaboration agreement is to regulate ownership and access to background rights and foreground rights (results), i.e.:
- Who owns the intellectual property rights?
 - Background rights
 - Foreground rights/results
- Who has the right to get access to certain intellectual property rights?
 - To which rights?
 - In which situations?
 - On what terms and conditions?

Level 1: The Relationship between Different Agreements

- What is regulated in this agreement?
- What is regulated in other agreements?
- What needs to be regulated in other agreements?
- How is the relationship between this agreement and other agreements? Priorities?
- Is there any clause in this agreement where the parties undertake to agree about something (with someone who is not a party to this agreement) in another agreement?

Example: Who Owns the Intellectual Property Rights?

- The students know which the parties to the research collaboration agreement are.
- So, do the parties have the right to agree about the intellectual property rights, for example research results?
 - Students must know who the original rights holder is, i.e. what does the law say?
 - Students must know under which circumstances intellectual property rights are transferred to an employer and under which circumstances they are not, i.e. what does the law say?
 - Students must know if the law is dispositive or mandatory.
 - Students must consider if there are agreements in which the rights have been transferred from the original rights holder or the employer to someone else.
 - Students must be able to analyze the agreement in this context.

Example: Who Owns the Intellectual Property Rights? Cont.

Parties specified in the research collaboration agreement

- 1. A, a company limited by shares incorporated in Sweden under corporate identification number [] (“A”), with address at [address], Sweden;
- 2. B, a company limited by shares incorporated in Finland under corporate identification number [] (“B”), with address at [address], Finland; and
- 3. C, a company limited by shares incorporated in Sweden under corporate identification number [] (“C”), with address at [address], Sweden; and
- 4. D, a Swedish university under identification number [] (“D”), with address at [address], Sweden;

What the students should figure out

- In the example, there is one party which is a Swedish university (party D).
- For example, in Sweden, there is a so called “teacher’s exemption” for patentable inventions if created by university researchers.
- By spotting this, students should note that the Swedish university does not own the potential patentable inventions created by their researchers, unless there is a separate agreement between the researchers and the university which regulates the rights transfer.
- The students should thus point this out and draft this separate agreement (unless there is one in place already).
- Intellectual property rights are not all treated equal in an employer – employee relationship. The students therefore need to consider how the employment agreements look and if they need to be complemented.

Level 2: Relationship between Different Clauses

- It is not possible to consider the effect on one of the party by just analyzing one of the clauses; it is necessary to get the full picture by analyzing the collective outcome of ownership and access rights.
- There is a difference between ownership and access.
- Time: often (but not always) divided into background rights and foreground rights.

Example: Intellectual Property Rights

Regulated in the agreement

5 Intellectual Property Rights

- 5.1 Each Party shall own and retain all right, title and interest in and to its Background Technology.
- 5.4 Each Party shall have the right to use Results in its own activities, commercial and non-commercial, including the right to license Results. To the extent Results are dependent on Background Technology, each Party shall have the right to obtain a license to such Background Technology on reasonable terms.

What the students should figure out

- Regulation of who owns the background and results, respectively, is related to how "Background Technology" and "Results" are defined in the agreement.
- Ownership to background is regulated. Ownership to results is not.
- Access rights to background is not regulated.
- Access rights to results are regulated, but are those situations sufficient/desirable?
 - The terms are somewhat unclear.

What the Students Should Figure Out Cont.

- Example: Access rights
- In which situations is access needed and/or desirable?
- Right to use for the project (often a requirement that the use should be "necessary" – which is also defined)
- Right to use for further research (this is necessary sometimes but not always)
- Right to "non-commercial use" – difficult to define
- Right to use in order to be able to use one's own results
- Terms
 - Royalty-free?
 - Royalty? FRAND, reasonable terms, commercial terms

Level 3: Clause Construction

- Example: ownership to results
- Between the parties, who should own which results?
 - Financial contribution
 - Intellectual contribution
 - Technology/business area
 - Who did what? Work together?
 - Who owned the original right?
 - An option to acquire a right?
- Differentiation between separate results and communal results.
- Joint ownership?

Examples of Clauses Drafted by Students

- “The Parties will jointly own the Intellectual Property in the Results. Each of the Parties will notify the other Party directly after identifying any Results that it believes is protectable. In case, one of the Parties want to commercialize or develop the Results, it need to have the written consent of the other Party.”
- “The Research Result that comes out of this collaboration shall be jointly owned by the Parties within their respective main business area.
- “The Parties will jointly own the Result of The Project, with full ownership. Including the right to make own improvement, developments and modifications and with right to transfer and license its rights to third parties. “
- What are the pros and cons with joint ownership?
- What does “protectable” mean?
- Which are the business consequences of having a requirement to obtain written consent before commercialization or development of results?
- Which are the parties’ respective business areas?
- Can all parties have full ownership and right to transfer ownership to third parties?