## Introduction to IPR and IPR contracts

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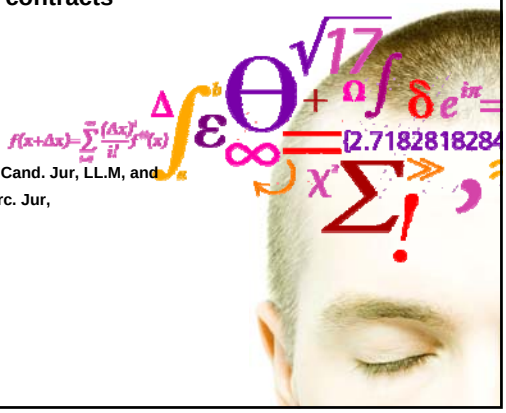

## IPR ownership

- **Starting Point: Patent Act / Patentloven**
- Sect.1 – Exclusive rights rest with the inventor (intellectual contribution required) (or with whoever has had the exclusive rights assigned)
- **Act on Inventions at Public Research Institutions / Lov om opfindelser ved offentlige forskningsinstitutioner**
- Purpose:
  To secure that research results made on the basis of public funds benefit the Danish society by commercial exploitation
- Inventions within the Act:
  - Inventions or utility models
  - Part of the employee's work (work description) (Sect. 2 and 5)
  - "employee" – anyone working with research and development at a research institution (i.e. researchers, technicians and ph.d-students with employment contracts) – NOT students, guest researchers and industrial ph.d.s

- **Act on Inventions at Public Research Institutions (cont.'d)**

- Starting point:
  Sect. 7: Ownership rests with the employee with the limitations following from the Act

- BUT
  Sect. 8: The institution may demand a transfer of ownership
  - Within two months of notification (Sect. 11) –> confidentiality obligation
  - If commercial exploitation seems possible -> duty



- **Act on Inventions at Public Research Institutions (cont.'d)**

- Sect. 12: "Fair remuneration"
  - Rules set by the institution, approved by the Ministry
  - DTU: -> rule of 1/3

- Sect. 9: Rights may be disposed of by the research institution in advance (also on behalf of the employees) in collaborations with parties not part of the Act.

- Students: Sect. 14a.

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- **Act on Employees' Inventions/Lov om arbejdstageres opfindelser**

- Inventions within the Act:
  - Inventions or utility models made by an employee in his line of duty
  - Main Rule: Within the field of work of the workplace
  - "employee" – anyone employed in public or private duty – except teachers and other scientific personnel employed with universities or other institutions of higher education

- Starting point:
  Sect. 3: Ownership rests with the employee with the limitations following from the Act
- BUT
  Sect. 7: The employer may demand a transfer of ownership
  - Within four months of notification (Sect. 6) – confidentiality obligation



- **Act on Employees' Inventions (cont.'d)**

- Possible remuneration (Sect. 8)
  - Unless value is within what reasonably should be expected from the employee considering his/her working conditions

- Sect. 9: Presumption
  - If patents are sought within 6 months after the employee has terminated his contract with the workplace, the underlying inventions are deemed to have been made while the employment contract was still in force, unless the employee can materially prove otherwise.

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## Non-Disclosure Agreements

(or NDAs or CDAs (Confidential Disclosure Agreements))

- **What**?
  - Contract governing disclosure of confidential information from one party to another
  - May be one-way or mutual
  - "Confidential information"?
    - What does this comprise? (*business, financial, technical relations, including – but not limited to – technology, inventions, processes, rights, specifications, designs, plans drawings, software, prototypes…)*
    - How is it defined? (oral and/or written and/or in electronic form)
- **Why (not)?**
  - "We're friends"
  - "We'll scare off the other party"
- **Because:**
  - The company will want it – at least if the company is supplying confidential information



## NDAs (cont.'d)

- To establish (legally) that the recipient of the information is bound by obligations of confidentiality.

  (Such obligations can also arise without an NDA in place - in Denmark for instance in Act on Marketing/Markedsføringsloven sect. 19 or Act on Public Administration/Forvaltningsloven sect. 27)

  An NDA is **proof** (and particularly helpful when seeking an injunction (fogedforbud))

- To establish that an invention has not been publicly disclosed prior to filing a patent application

- One very simple, direct and practical advantage is that the NDA will make it clear to the other party that the information in question is indeed confidential

## NDAs (cont.'d)

- Key terms of an NDA
  - General subject matter/Purpose
  - Definition of "Confidential Information"
  - Obligations to keep the information confidential and only use it for the purpose
  - Exceptions to the confidentiality obligations, e.g.
    - Information already in the public domain
    - Information received from a third party who appeared to be entitled to disclose the information
    - Information developed independently by the recipient in his/her own research without relying on the confidential disclosures of the other party
    - Court orders or the like to disclose
  - Conditions for further disclosure to employees and/or third parties
  - Obligations to return confidential material
  - Duration of the confidentiality obligation



## NDAs (cont.'d)

- Common areas of negotiation:
  - Must the information be in writing, marked as confidential?
    - If it is disclosed orally, must it be reduced to writing and marked as confidential within a specific period of the oral disclosure?
  - Duration
    - Industry and research institutions typically have substantially deviating wishes here
  - Law and jurisdiction
    - Preferably Danish courts and Danish law
- Check: Can the recipient comply?

## NDAs (cont.'d)

- ALERTS
  - Texts which comprise the following:
    - Obligations to negotiate exclusively with the other party
    - Obligations to enter into further agreements (e.g. license or sales agreements)
    - Obligations not to engage in competing activities
    - Obligations to disclose results of research or evaluation
    - Provisions governing ownership of intellectual property



## Material Transfer Agreements

(or MTAs)

- **What?**
  - A contract governing the transfer of materials between researchers either employed at research institutions or companies or being private individuals
  - Typically within a biological/chemical category (eg. transgenic animals, DNA strings, cultures, antibodies or chemicals, including drugs/pharmaceuticals)

- **Purpose?**
  - Provider – for altruistic reasons or to obtain a benefit (either a fee but more commonly data on the material or longer-term rights)
  - Recipient – e.g. to carry out research; or to create IP with or from the materials; or to evaluate them to consider further collaboration opportunities; or to test them alone or with other materials

- **Check**: - Is the MTA really a disguised research agreement? (Sponsored research without payment)

- Why?
  - To control or limit the use that Recipient makes of the materials,
  - To prevent public disclosure of Provider's confidential information,
  - To prohibit Recipient from using the materials for non-research purposes,
  - To obtain access to results and data obtained from the Recipient's use of the materials,
  - To obtain a legal right to such results and data (option or license),
  - To receive royalties from e.g. licensing income generated by Recipient through use of inventions made using the materials

  - To clarify that the materials are provided without warranties,
  - To exclude legal obligations generally (injury or damage etc),
  - To require Recipient to indemnify Provider against any legal liabilities which may arise from Recipient's use of the materials



- Key Issues:
  - Defining the Materials. – Derivatives? – What if Materials are included in a new product?
  - Use of the Materials. – Who may use? – Watch out if "commercial" research is prohibited – this may imply that research with a commercial sponsor is not allowed.

  - CONSIDER: Is any IP likely to arise?

  - Ownership of, and access to, results – possible variations, e.g.:
    - Recipient owns resulting IP, Provider receives non-exclusive license, Recipient pays a royalty upon exploitation of IP; or
    - Provider owns resulting IP, Recipient gets non-exclusive license; or
    - Recipient owns resulting IP, Provider gets option to negotiate an assignment or exclusive/non-exclusive license; or
    - Resulting IP is jointly owned with a provision for the Provider to have an exclusive license in a defined field

    => SECURE FREEDOM-TO-OPERATE

- Key Issues (cont.'d)
  - The right to publish
    - Delayed publication to allow for the filing of patent application usually accepted if reasonable limit on delay
    - A wish for being recognized in Recipient's publication
    - Watch out for indirect limitations (e.g. the character or composition of the Materials is to be kept secret)
  - Compliance with regulatory provisions
  - Patenting. – Provider may wish to be involved
  - Term (usually 1-2 years)
  - WATCH OUT: Use of different Materials in the same research – competing obligations?



- Key Issues (cont.'d)
  - Can the Recipient comply? – Should we (can we) buy instead?
  - Who may use the Material?
  - Look for any unusual reporting obligations
  - Liability and indemnity
    - "As is"?
    - Third party rights?
  - Law and jurisdiction

## Introduction to licensing agreements

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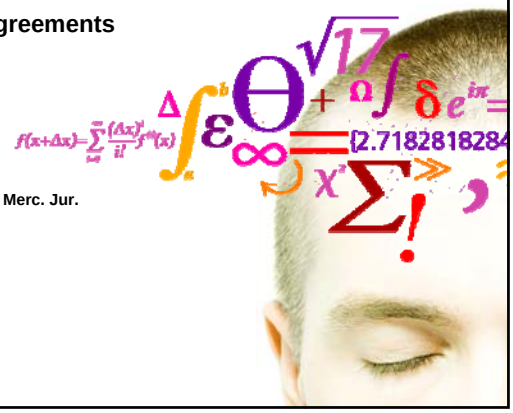

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## Content of standard DTU license agreement

**Highlighted headings will be addressed in the following**

TABLE OF CONTENTS

- Index of exhibits (usually patent application/description of invention)
- Index of defined terms
- Grant of license
- Research
- Obligations of the licensee
- Affiliates, sub-licenses and sub-contractors
- Consideration
- Ownership and prosecution of patents
- Infringements
- Representations and warranties

## Content of standard DTU license agreement (cont.'d)

- Limitation of liabilities/Indemnification
- Confidentiality and disclosure of information
- Assignment etc.
- Force majeure
- Term and termination
- Rights and obligations after termination of this agreement
- Governing law and dispute resolution
- Miscellaneous
- Signatures



## Grant of license

What kind of license do we want to grant? Exclusive license or non-exclusive license?

- Exclusive license grants the licensee the right to license the patent exclusively within a pre-defined field (field is extremely relevant).
- Non-exclusive license grants the licensee a non-exclusive right to license the patent within a pre-defined field.

## Grant of license (cont.'d)

**- Exclusive or non-exclusive license?**

- First of all check for a possible underlying Research Collaboration Agreement. How to handle generated IPR may already be laid down.
- Are there any pre-existing obligations or not? If not it is more or less a commercial/academic evaluation that decides which model to use:
  - Many customers but scattered in different industries exclusive licenses within different fields of use ("slicing the cake")
  - Many customers within the same industry non-exclusive licenses within the same field of use
  - Limited number of customers in same industry (usually large sized companies in fierce competition) exclusive license



## Grant of license (cont.'d)

**- Field**

- Important to narrowly define a field if you want to exploit the patent/invention within different applications. Field may be outlined using the following criteria or a combination thereof:
  - By application
  - By territory (geographically)
  - By industry
- What is a Field?

  The invention: Key for doors

  Field:
  - » Key for doors at DTU (application – DTU)
  - » Key for doors in building 101 at DTU (Geographically limited to building 101)
  - » Key for doors in building 101, 1st floor, the financial section at DTU (limited to industry/line of work)

## Research

- This clause deals with the university's obligation to secure the "freedom to operate" for DTU employed scientists.
- Only relevant in case of exclusive licensing but then extremely relevant because research is often sponsered by industry.
- The clause states that :
  - *Notwithstanding that the License is exclusive, the Licensor is not prevented from (i) any exploitation and use whatsoever of the Patents (inside or outside the Territory and inside or outside the Field of use) in connection with any research and development activity irrespective of field or area, and from (ii) granting Third Parties the same right to exploitation and use of the Patents where such research and development activities are carried out in collaboration with the Licensor.*



## Consideration

- Consideration/payment can take on many different forms but the following are the most commonly used:
  - Sign on fee (up front lump sum fee)
    - This is a one time fee to be paid upon signing of the license agreement or in some cases divided into milestone payments
  - Royalty
    - This is most commonly defined as an agreed percentage of the licensee's generated income which can be attributed to the sale of a product containing the patented invention and which without the awarded license would infringe the patent.
  - Minimum fee (Minimum royalty)
    - This is commonly applied in the form of an annual minimum fee which is payable regardless of whether the Licensee has in fact marketed a product.
  - Payment/division of patent costs
    - This is most commonly applied in cases of exclusive licensing since it is hard to justify that one licensee shall bear all/half of the patent costs when there are more than one licensee. There are however schemes which allows for a division among more licensees.

## Consideration cont.'d

- Why a royalty?
  - Royalty is a great mechanism because it ensures that both the licensee and the licensor benefits from a successful licensing relationship. If the licensee makes money so does the licensor.
  - The royalty can take on a variety of forms but is most commonly applied as a percentage of for instance net sales. Further the royalty rate may increase or decrease in accordance with the success of the licensee.

- Why a minimum fee (min. royalty)?
  - Although the royalty is a great tool it is often desirable to combine this with annual minimum fee.
  - The introduction of a minimum fee is applied in order to drive the licensee towards the marketing of a product. This sort of incentive/pressure should be applied with care since a too high minimum fee might break a small or newly founded company with limited funds and have an adverse effect.



## Consideration cont.'d

- Reimbursement of patent cost and or payment of future cost may also be applied as a form of consideration!

- But when and why do you seek reimbursement of patent cost?

  - Full or partial reimbursement of past and future patent cost is most commonly applied in cases where the license is of exclusive nature. The reasoning is that when you license non-exclusively it is difficult to justify that the first in a series of many licensees shall reimburse all/part of the patent cost whether past or future.

  - Often the sign on fee is a token of the Licensor trying to retrieve the previously defrayed patent costs, which can in fact accumulate to a significant amount.

## Limitation of liabilities

- It is extremely important for the university to limit the liability to the widest extent possible.

- The licensor only warrants that (not much):
  - that it is duly organised and validly existing under the laws of Denmark and has full authority to enter into this Agreement and to carry out the provisions hereof, and
  - that - to the best of the Licensor's Knowledge - the Licensor is the owner of the Patents.

- Liability limitation includes:
  - Licensor does not represent or warrant
    (i) the validity, enforceability, merchantability and fitness of the Patents, or
    (ii) that the patent applications within the Patents will be granted, or



## Limitation of liabilities cont.'d

(iii) that the Licensee will not need to obtain or license any other rights, including intellectual property rights from any Third Party or from the Licensor, in order to fulfil the Licensee's purpose in concluding this the Agreement.

- Further the licensee must hold the licensor harmless from any and all expenses, costs of defence and any amounts the Licensor becomes legally obliged to pay because of any claim(s) against it, to the extent that such claim(s):
  - arise out of the breach or alleged breach of the licensee
  - are due to negligence or misconduct by the licensee, or
  - result from the licensee's activities under this Agreement (including but not limited to infringement of Third Party rights )or
  - arise out of the possession, manufacture, use, sale, administration etc. of the Products by the licensee (including but not limited to product liability).

## Limitation of liabilities cont.'d

- Why this extensive limitation of liablility (companies often have problems understanding the reasoning)?
  - DTU is a state-owned institution and as such may only take out insurance in very few cases.
  - DTU is therefore self insured and in case of a lawsuit resulting in DTU having to pay damages these funds will be taken from the research funds.
  - DTU is obliged to treat the tax payers money with extreme diligence.



## Assignment

- The licensee may not assign the license agreement without the prior written accept of the licensor.
  - This is to safeguard the creditor against having to suffer a licensee which is not able to fulfil its financial obligations and in order to keep control over the commercial setting thereby ensuring that there are no ethical issues in relation to co-operating with the licensee. (child labour, arms industry, etc.)
- The licensor shall be free to assign the agreement to a third party provided that this third party accepts to be bound by the terms of the license agreement. Important because:
  - It provides commercial freedom to operate for instance by selling the technology to a third party which agrees to respect the license agreement

## Governing law and dispute resolution

- *The Agreement shall be governed by, construed and enforced in accordance with the laws of Denmark, (i) excluding, however, Danish choice of law rules to the extent that such rules would otherwise lead to the application of any other law than Danish law.*
  - Extremely important due to the diligence obligation and lack of insurance mentioned above
  - Limited knowledge of foreign law leading to unacceptable risks.

- Disputes may be solved by either the competent courts or by arbitration.
  - Arbitration often preferred by companies since the outcome is not publicly available. Arbitration is however more expensive than submitting the dispute to the court.
  - Further you may argue that an arbitrational tribunal may have more specific commercial insight on the matter in question.



## THANK YOU

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