



Please update your
intellectual property policies

Later

Now

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UPDATING INTELLECTUAL PROPERTY POLICIES: PANACEA OR BLACK HOLE?

Many universities and research institutions are saddled with outdated, flawed, cumbersome, or inaccurate patent or intellectual property (IP) policies. Frustrations abound for faculty, technology transfer professionals and legal department staff members. Some common flaws include: discontinuities between the treatment of patents and copyrights; inconsistencies among the handling of faculty, staff and students; unclear royalty economics; insufficient guidance on license equity protocol; silence on distance learning applications; and contradictions with other related university policies. Sometimes, the concerns rise to the level of questioning whether portions of the IP policy are even enforceable in the first place.

Despite the overriding consensus that their current policy is inadequate, universities often ignore the problem. Why? First, the complex set of processes and business, legal and political issues require an interdisciplinary team of individuals willing to contribute to a thoughtful solution. Second, the internal politics involved in getting a new policy approved can easily derail a well-intentioned solution. This article will identify many of the obstacles in the path of success and suggest potential solutions to the tougher issues.

CHEAT SHEET

- *Identify existing shortcomings.* Are the current policy's objectives outdated? Does the policy contemplate emerging issues, such as new media, public/private research collaborations or distance learning applications?
- *Create the new paradigm.* First, identify and distill the university's objectives for the policy. Second, establish the general default rules for IP ownership. Third, consider the potential frequently encountered exceptions to the default rules.
- *Build the new policy.* What types of IP need to be covered, and what are the critical commercial rights of each type of IP? What are the potential applications or uses, both internally and externally, of the inventions or works?
- *Get the policy adopted.* Obtain buy-in from the top levels of administration for the need to overhaul the existing policy.

Stage 1: Identify existing shortcomings

Almost every university and research institution already has either a patent policy, typically accompanied by a separate copyright policy, or a combined IP policy. The first stage in updating the current policy is to identify and evaluate the existing flaws. For example, are the policy's objectives outdated? Are there recurring situations that create institutional friction in connection with the policy? Does the policy contemplate emerging issues, such as new media, public/private research collaborations or distance learning applications? Does the policy embrace typical academic practices but is expressed in a way that contradicts IP law and the relationships among the university and its faculty, staff and students? Because IP policies affect all individuals in an organization, it may be productive to solicit feedback on the current policy from various operational units in the institution, not just from the research enterprise.

Stage 2: Create the new paradigm

Once the existing flaws have been revealed, the second stage in updating the current policy is creating the new paradigm. Ideally, this should be a top-down approach, without being weighed down by the baggage from the flaws in the existing policy. Although there are common themes across all IP policies, the solution needs to be tailored to the specific needs of the particular university. Recent IP policies from other universities can serve as samples or be useful visualization tools; however, they are often more instructive as to pitfalls to avoid, rather than inspiration for new solutions. Start with some elementary steps. First, identify and distill the university's objectives for the policy. Second, establish the general default rules for IP ownership under the new policy. An ownership matrix for IP, like the chart shown in Figure 1, can

be a useful tool to communicate more easily the general default rules of how the policy is intended to work and act as a blueprint for the design of the new policy. Third, consider the potential frequently encountered exceptions to the default rules summarized in the matrix. Exceptions are inevitable and an integral part of building a more successful policy, but they should not obfuscate the vision for the policy summarized in the matrix.

Stage 3: Build the new policy

With the vision for the new IP policy established, the third stage in updating a policy is building the new policy from the ground up. First, identify all of the variables involved in the policy. What types of IP need to be covered, and what are the critical commercial rights of each type of IP? How many different categories of patentable inventions and copyrightable works will be needed to convey the default rules in the blueprint? What are the potential applications or uses, both internally and externally, of the inventions or works? Who are the various participants under the policy, and what should their respective rights be? Clarity on the potential permutations

under the IP policy is critical to avoiding potential friction under the policy. Second, decide on which scenarios should be addressed directly in the default rules of the IP policy. The remainder can then be addressed as exceptions to the policy. Third, determine the respective economic splits among the various participants under the IP policy, with respect to both costs incurred and revenues generated by the resulting IP. For most universities, stage three is challenging. Many of the frequently encountered challenges will be discussed in more detail below.

When working through the complexity of stage three, it is important to be mindful of three goals. First, try to keep the solution as simple and understandable as possible. In order to maximize the deterrence value of the new policy, the policy needs to be understood by in-house and outside counsel, as well as by the various participants under the policy and third parties that partner with the university. Finding an accessible format to capture and convey the policy can enhance the new policy's ability to minimize future controversy. Second, expect changing circumstances. New fact patterns, media, organizational units, categories of participants,



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economic opportunities and policy objectives are symptomatic of the ever-accelerating rate of change in the technology arena. Building flexibility into the policy to withstand change will determine its longevity. Third, create a clear and manageable dispute resolution process under the policy. No policy will be able to cover the myriad of unusual situations that frequently arise in a university, so clear processes and resolution speed become important attributes for a successful policy.

Overcoming the obstacles

In building the new IP policy, you will inevitably encounter a number of challenging obstacles. While each institution has its particular needs and challenges, some common themes emerge from this process. For example, it is particularly helpful if you can harmonize the economic treatment of both patentable inventions and copyrightable works under the policy. Instead of focusing on the type of IP being disclosed, address the handling of each disclosure docket. A particular disclosure may have one or more patentable inventions, copyrightable works, or unpublished data or information. Some software, for example, may involve all three elements with regard to a single development and may thus create a royalty stream involving all three types of IP. Having a single economic model for sharing net proceeds from a docket avoids the potential for considerable conflict and confusion. Identifying these possibilities when designing the policy also allows the university to develop contracting tools to accommodate them well in advance.

Categorizing different types of copyrightable works in the policy can minimize confusion. The traditional academic approach is for the individual faculty members to own the copyrights in their scholarly works. Although the logic for this approach may seem obvious, this result can run afoul of the “work made for hire”

doctrine of the copyright law.¹ In contrast, works created by faculty outside of university employment, and unrelated to their core academic expertise, typically are acknowledged as owned by the individual faculty member as personal work. Most institutions rely on the Copyright Act’s definition of “work made for hire” to determine when research or instruction activity will be owned by the university or the faculty member. Nevertheless, it is important to adopt a sound “work for hire” policy, because in its absence, there is likely to be confusion about how each party can use the work that was created. In between scholarly works and personal works, the different potential fact patterns and competing interests become much more nuanced. A graduate student co-invents a patentable invention as part of a larger research project. A member of the administration develops a spreadsheet with potential applications for development offices at universities. A faculty member creates software for a project that has broader application as a research tool. Many of these situations can be overcome by developing broad categories of copyrightable works that

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can become the basis for the default rules in the matrix. The contradictions, on the other hand, then become part of the acknowledged list of exceptions on the matrix.

In addition to carefully examining all of the categories of individual participants in the IP policy in order to build the cells in the matrix, it will be critical for you to consider the categories of parties outside of the university that may be affected by the new policy. Third-party rights can arise from sources such as government grants, traditional sponsored research, other commercial sponsors or research partners, inter-institutional research relationships and ad hoc contractual relationships with parties outside the university. In collaborating with outside entities,

Figure 1

Sample Ownership Matrix for Intellectual Property Policy

TYPES OF INTELLECTUAL PROPERTY	PARTICIPANTS		
	FACULTY Full-time Part-time Adjunct and visiting faculty Full-time lecturers Post-doctoral fellows	STAFF Administration Staff Consultants Guest lecturers	STUDENTS Graduate students Undergraduate students Visiting students
Scholarly Works	Faculty (1)	Staff (1)	Students (1)
Personal Works	Faculty (2)	Staff (2)	Students
Commercial Works	University (3-11)	University (3-6)	Students (1-6, 12 & 14)
Patents	University (3-8 & 13)	University (3-6 & 13)	Students (1-6, 12 & 14)

*Note: For the key to the numbered exceptions above, see Figure 2.

Just as a senior individual should be tasked with the responsibility of redrafting the policy, a similar individual, if not the same one, should be responsible for shepherding the draft policy through the approval process.

employees must be advised to review their existing obligations to the current institution in order to avoid potential ownership rights disputes. Furthermore, each of these outside parties will need to understand what their IP rights under the policy are in any resulting inventions or works. The university will need to have a clear statement of the

rights reserved to the university and its collaborators for future research and teaching activities related to the invention or work, regardless of the IP rights licensed out to commercial third parties or users of the IP.

Historically, many universities failed to carefully consider the legal foundation of the ownership rights sought under their IP policies. For example, the earlier debate about whether each participant under an IP policy needs to execute an agreement to be bound by the policy has largely disappeared after the US Supreme Court decision in *Stanford v. Roche* several years ago.² Today, the prudent approach is for the university to create an internal process for collecting and retaining in advance signed contemporaneous general assignments of all future inventions and works from each participant under the policy, not just requiring assignments of specific IP rights following disclosure

of inventions or works to the technology transfer office. Similarly, it is also critical for the university to disclaim affirmatively any ownership rights in copyrightable works intended under the policy to be owned by individual creators instead of the university (such as traditional scholarly works) that might be subject to the “work made for hire” doctrine of the copyright law.³

Central to the faculty and other participants under the IP policy are the respective economic returns to the university, participants and third parties with respect to future licensing activities from a disclosure docket. Although, at first blush, dividing up net proceeds seems like an elementary concept, most IP policies in practice are surprisingly convoluted. A complex sharing model, however, can be counterproductive for a policy, potentially creating significant future friction for the new policy. Five relatively straightforward questions can

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help you develop a more streamlined approach for splitting the economics. First, what is included in gross revenue under the policy? Typically, gross revenues should include all cash (other than reimbursements, like patent costs and transaction fees), non-cash consideration (subject to a simplified valuation method), and equity received or issued to the university.⁴ Second, what are the permitted deductions to gross revenue? These often include unreimbursed out-of-pocket expenses in licensing the docket and any taxes incurred by the university,⁵ and may also include some measure of university overhead associated with the technology transfer function. Third, what are the relative sharing percentages among the various operating units of the university, participants and third parties for the net revenue? In some policies, this can be a matter of simply cutting up the pie, while other IP policies involve much more complex step functions or expense sharing formulas. Fourth, when is the net revenue distributable? This may differ by type of revenue generated or depend on the category or status of the participant. Fifth, in more complex agreements where multiple pieces of IP are included in the license, how is

net income to be allocated among the dockets and the inventors/creators?

The breadth of substantive issues that often arise in constructing a new IP policy exceeds the scope of this article. Several additional issues, however, are worthy of brief mention. First, the new IP policy will need to work in concert with existing university policies regarding both consulting activities by faculty and staff and conflicts of interest. Second, the university must ensure that its name and trademarks are properly used following approval of their use, that any implied association with the university is correct and that it receives a fair share of any economic gains from the use of its marks. Third, universities with frequent software disclosures may also wish to consider a process for open source or creative commons releases of software based on request by the creator of the software. Fourth, all IP policies should address a process for return of a disclosed patent or copyright to the inventor/creator once the university elects to no longer pursue active licensing. Fifth, one of the most complex emerging issues that most universities face is the development and re-use of teaching content for new distance learning applications

and media, such as recording lectures, developing online courseware and participating in MOOCs.⁶ Sixth, if university resources substantially contributed to the completion of a project, the university should reserve the right to prohibit or limit publication if the work would adversely impact the university's goodwill or competitive position. Finally, universities often address much more detailed procedures in the new IP policy on the acquisition, holding and disposition of equity in their licensees.

The obstacles faced during the third stage are numerous and sometimes daunting. An experienced interdisciplinary team of contributors across the university is capable of addressing each issue and developing creative, workable solutions. The fourth stage, on the other hand, will require a different set of skills to overcome challenges.

Stage 4: Getting the policy adopted

While the third stage involves addressing many different substantive obstacles on an intellectual level, the fourth and final stage of updating the IP policy represents the single largest hurdle of all: shepherding the new policy through the politically volatile approval process at the university. Change at most universities is often a slow and difficult process, particularly when an issue affects almost every individual involved with the university. You can expect that you will have to run the political gauntlet to get the policy approved. The first step is to build your constituency in advance. Identify the most glaring weaknesses with the existing policy. Evaluate recent, more successful IP policies at other institutions as a benchmark. Obtain buy-in from the top levels of administration for the need to overhaul the existing policy. The second step is to map out the policy development process. Designate the university official responsible for implementing and enforcing the policy. Assign staff

from relevant administrative bodies to contribute to and manage the creation of and the revisions to the new policy. Engage in-house or outside counsel to support the process and draft the policy. Establish the university's position on the challenging substantive issues identified in building the policy in stage three. Identify and build any related procedures that will be needed to implement the issues covered in the new policy. Circulate the final, internal administrative draft of the new policy to designated faculty and administrative units for review and comment. Engage administrative and faculty groups to address and respond to questions, concerns and proposed changes to the draft policy. Repeat the feedback loop as often as needed in order to reach an acceptable level of consensus. Then, once the policy is in final form, submit the finalized policy for administrative approval and implementation.

Almost inevitably, there will be multiple hiccups along the way, particularly in the third and fourth stages. Questions will arise from the participants about the impact of specific changes and new language. Just as a senior individual should be tasked with the responsibility of redrafting the policy, a similar individual, if not the same one, should be responsible for shepherding the draft policy through the approval process. The approval process will take time, and the stakeholders must be engaged in a manner that changes to the policy can be accommodated if needed. It is

easy for this to become a morass, and perseverance will be necessary to see the revisions through to completion. In the meantime, the current policy still governs the IP process at the university, and business as usual should be the guiding principle until the new policy is formally enacted.

Conclusion

There is no denying that overhauling an IP policy is a complex undertaking for a university. The policy is impacted by a myriad of operational, business and legal issues, and will need to dovetail with a number of tangentially related policies at the institution. The stakes are high. Most universities are saddled with a flawed or inaccurate policy that fosters significant controversy. On the other hand, the potential rewards for an improved policy are substantial. Clarity under the new policy can act as a deterrent to undesirable behavior and help to avoid future frustration and disputes. The new policy can also encourage additional innovation and collaboration, both internally and externally. In order to overcome the potential roadblocks to success, you will need to assemble an interdisciplinary team of motivated contributors from various operating units within the university. The team will then identify the flaws in the current policy, develop the vision for the new plan, address the array of issues that arise in building the new policy, and develop and execute a plan for achieving political approval

of the IP policy. This simple four-step approach can help keep your university from either becoming overwhelmed with the issues raised or stymied by naysayers to important progress. **ACC**

NOTES

- 1 See 17 U.S.C. § 204(b) (requiring a mutually signed writing to disclaim ownership in works made for hire).
- 2 *Stanford v. Roche*, 563 U.S. ____ (2011). In this case, an investigator's agreement to assign future IP arising under the Stanford IP policy was trumped by the investigator's subsequent contemporaneous assignment to a commercial entity. Also note that assignments of both patent rights and copyrights require signed writings. See 35 U.S.C. § 261 and 17 U.S.C. § 204(a).
- 3 See 17 U.S.C. § 204(b). See also *Foraste v. Brown University*, 248 F. Supp. 2d 71 (D.R.I. 2003) (university copyright policy is insufficient to overcome the work made for hire presumption in favor of the employer in the absence of a written agreement signed by the parties).
- 4 Some universities address the treatment of equity interests received from licensees under the IP policy, while others may have a stand-alone equity policy. Acceptance of equity in privately held companies creates significant additional complexity beyond just the disposition of IP rights and proceeds and is beyond the space limitations of this article.
- 5 Even though most universities are tax-exempt entities, certain kinds of income from tech transfer activities may create unrelated business taxable income.
- 6 MOOCs are massive open online courses made available over the internet for low or no cost.

ACC EXTRAS ON... Developing an effective IP policy

ACC Docket

Protecting Your IP Assets in the Digital Age (Sept. 2013). www.acc.com/docket/protecting-IP_sep13

Presentation

Intellectual Property Audits for the Non-Tech Business (Oct. 2010). www.acc.com/non-tech/ip-audit_oct10

Forms & Policies

Intellectual Property Audit Checklist (Oct. 2010). www.acc.com/form/ip_oct10
Intellectual Property Due Diligence Request List (Oct. 2010). www.acc.com/forms/ip-dd_oct10

Employee Intellectual Property Assignment and Confidentiality Agreement (July 2008). www.acc.com/form/ip_jul08

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