

Key intellectual property (IP) considerations in collaborations

Hydrogen and Fuel cells - The Time is Now

Dr. Michael Moore

Partner

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Why collaborate?

Projects in which two or more parties pool their resources

- **Benefits:**
 - Enable parties to receive outputs they could not achieve alone
 - Parties with different areas of expertise can complement one another
- **Types of parties = different commercial and legal considerations:**
 - Commercial - Commercial
 - Academic - Commercial
- **Type of IPRs**
 - Patents, Designs...
 - Know-how, Trade Secrets, Confidential Information
- **Scope of agreement:**
 - Research & Development.....& Exploitation



Key stages of a collaboration



- **1. Initiation** - *Prior to signing a collaboration agreement*
 - Confidentiality & Trade Secrets
 - Due Diligence
 - Scope, structure and management of the collaboration
- **2. Formation** - *Agreeing terms and signing the legal agreement(s) between the parties*
 - Licence of existing (Background) rights
 - Ownership & exploitation of future (Foreground) rights
- **3. Duration** - *The period in which the parties are actively collaborating with each other*
 - Identification, protection & maintenance of rights
 - Project management
- **4. Termination** - *On termination of the key obligations between the parties*
 - Post termination provisions (eg Co-ownership agreement, licences, confidentiality)

Begin with the end in mind



“Let all your efforts be directed to something, let it keep that end in view”.

Lucius Annaeus Seneca, On The Tranquility Of The Mind, 49 to 62 AD

Confidential Information

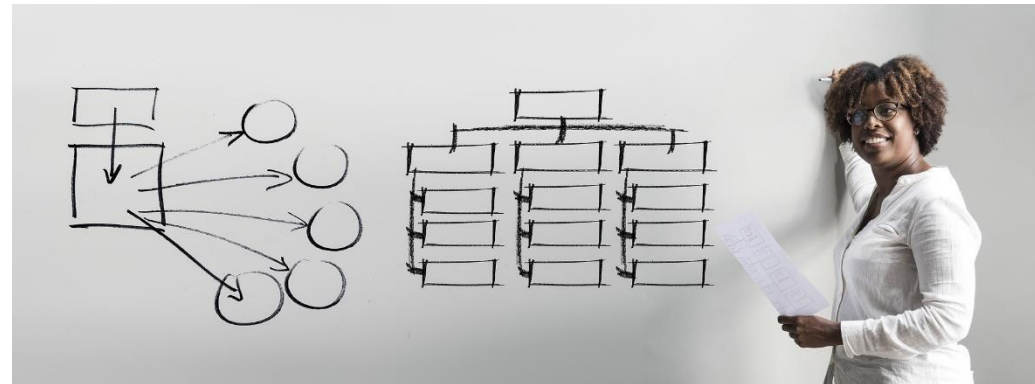


- What is 'Confidential Information'?
- Confidentiality is a relative and not an absolute concept. The starting point is that information must be inaccessible before it can be considered confidential, but it is context and fact-sensitive.
- There are 3 elements that are of assistance in identifying it:
 - (i) the owner *reasonably* believes disclosure of the information would be injurious to him or of advantage to his rivals or others;
 - (ii) the owner *reasonably* believes that the information is confidential or secret, i.e., that it is not already in the public domain;
 - (ii) the information must be judged in the light of the usage and practices of the particular industry or trade concerned.
- Confidential information is an umbrella term that covers know-how and trade secrets.

Background IP: Ownership and rights to use

Identifying what each party brings (and how) to the 'collaborative table' is key.

- Background IP is the IP owned or licensed by each respective party prior to the project (or which are subsequently created outside the project) AND which is used in the project itself OR enable the results of the project to be exploited
- Each party will usually retain ownership of their Background IP and grant a licence to the other party to the extent necessary to perform their obligations under the project and /or to exploit the results of the project. Licensing enables a party to retain control and terminate (if the licence granted is not perpetual and irrevocable).
- Consider:
 - Employees & consultants
 - Licenced-in IP
 - Specific field/use restrictions



Background IP – Licence



- Undertake an **audit** to identify the Background IP that is being licensed and fully disclose.
- The audit will identify the Background IP AND assist in evaluating the value of a party's Background IP to the project.
- An audit can also be effective in preventing the loss or theft of Information/Know-how.
- As a general rule, a licensee cannot **sublicense** without express permission to do so. If a licensing agreement permits sub-licensing (eg to a manufacturer), this should be controlled particularly if it also relates to know-how because know-how may lose its value if it is exposed to too many people without imposing a relationship of confidence.
- Limit the use of Background IP to the **specific purpose** for which it is being licensed. The best way to protect Background IP is to carefully limit what is licensed from the outset.
- There are 3 **types of licence**: (i) exclusive; (ii) non-exclusive; and (iii) sole – an agreement may comprise a mix of these licences
- **Improvements** to the Background IP should be licensed back (non-exclusive)

Background IP – Licence



- After the **expiration or termination** of a collaboration agreement, can you continue to use another party's Background IP? If the agreement is silent on parties' obligations post-termination or expiration of the agreement, or is not clear, a court will determine the parties' obligations on a case-by-case basis. A licence may be implied....
- Expressly deal with how Background IP is to be dealt with after termination or expiration of the agreement
- Assess to what extent a licence to Background IP is required to fully exploit Foreground IP
- Consider expressly prohibiting the other party from using certain confidential information disclosed as part of the Background IP if it is not required to fully exploit Foreground IP
- Consider expressly restricting the other party from competing within a Field of Use for a period of time (subject to competition law)

Foreground IP: Default position



- Foreground IP: *“any Intellectual Property that arises or is obtained or developed by, or by a contractor on behalf of, either party in respect of the Technology in the course of or in connection with any Project”*.
- Processes for identifying Foreground IP should be agreed and backed-up by regular technology audits and regular reporting between the parties during the collaboration.
- If the ownership of Foreground IP is not addressed in the collaboration agreement, the legal default in most jurisdictions is the creator of the IP is the owner.
- If IP is created jointly by the parties, the default position will be joint ownership.
- The parties should agree at the outset who will own the Foreground IP and what rights of use the parties will have to the Foreground IP.

Foreground IP: Ownership & rights to use



“I’ve always wanted to own and control the primary technology in everything we do”

Steve Jobs, Business Week Online, 12 October 2004

Foreground IP: Co-ownership



- Co-ownership should be avoided if possible.
- The law of co-ownership of patents (and other rights) varies from country to country.
- Under UK law, unless there is agreement to the contrary, co-owners of a patent may use the invention covered by the patent without reference to each other, but they cannot licence or assign the patent to a third party, or amend the specification of the patent, without the permission of the other co-owner.
- If patents are to be co-owned, the collaboration agreement should, so far as possible, expressly exclude the provisions relating to co-ownership under the national patent laws AND outline the terms on which the parties will co-own the patents, eg:
 - Field of use
 - Improvements
 - Prosecution and maintenance of IP
 - Enforcement and infringement of third party rights
- Co-ownership of data and confidential information should also be expressly addressed.

Foreground IP: Alternatives to co-ownership



- The bargaining power of the party's will be key, but separate ownership of patents can be based on, for example:
 - Inventorship
 - The dominant IP owner of Background IP in a particular technology (eg because the Foreground IP is an improvement to, or otherwise dependent on, that party's Background IP);
 - The dominant overall contributor to the collaboration;
 - The party most capable of maintaining the IP (eg with systems and resources in place to pay renewal fees for registered IP and to take action against infringers).
- Separate ownership of patent rights within a patent family (eg in different countries) should be avoided as this presents challenges in administering the prosecution and maintenance of the patents
- It may be less important to own rights if each party can be satisfied that it will receive the benefit of licences sufficiently broad and of sufficient duration to provide it with sufficient control and the ability commercially to exploit the results of the collaboration

Foreground IP: Licence



- Whatever is agreed in terms of ownership, the parties will need to agree rights to use the Foreground IP after the collaboration agreement. If either a party other than the agreed owner or more than one party requires the right to exploit Foreground IP, the scope and terms of cross-licences must be agreed.
- On what terms will any licences to exploit IPRs be granted by one party to the other?
 - exclusive or non-exclusive?
 - payment of royalties or royalty-free?
 - worldwide or limited to a specific territory or territories?
 - terminable in specified circumstances (such as failure to exploit, change of ownership or insolvency)?

Foreground IP: Management of IP



- Make provision as to which party will be responsible for filings, prosecution and enforcement, and associated costs, including:
 - further assurance, to assist in obtaining patents or other IPRs and in the prosecution or defence of infringement proceedings;
 - the transfer of the right to file applications for patents or other IPRs to the other party where the rights-owning party fails to do so itself, and responsibility for associated costs.
 - the right to commence enforcement proceedings if the rights-owning party fails to do so itself, and responsibility for associated costs.

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Questions?

Contacts



Dr Michael Moore

mmoore@marks-clerk.com

D +44 20 7420 0260 | F +44 20 7420 0255

15 Fetter Lane

London

EC4A 1BW

UK