

Licensing Executives Society
(U.S.A. and Canada), Inc.

Annual Meeting



**Now wait a minute... I thought
that patent was mine**

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Joint R&D Agreements

Introduction to Joint R&D Agreements

- a **collaboration** between 2 or more parties to develop a new product or process
- they can involve:
 - governments (or their quangos)
 - universities
 - private sector
 - consultants



Joint R&D Agreements

Introduction to Joint R&D Agreements

- **not** a joint venture, partnership, agency, joint commercialization, or outsourcing contract
- it is important to understand the laws, policies and contracts that apply
- the legally difficult areas tend to be focused on, e.g. liability, IP and competition
- but also consider “management” terms



Joint R&D Agreements

“management” terms

- the work plan – who does what, what each party provides and when it is due
- reporting
- success criteria
- governance and allocation of responsibilities
- budget management & auditing
- alternative dispute resolution



Joint R&D Agreements

Some of the IP issues to be considered

- background/pre-existing IP
- pre-existing know how register
- foreground/arising IP
- co-ownership of foreground IP
- “access rights” – aka licensing rights – both for the project and afterwards



Inventorship in US

- Inventorship determined by conception of invention in claims under US law.
- Inventorship can be used to determine rights under Joint R&D Agreement to avoid confusion as to respective IP rights under Agreement.
- If an inventor is present from collaborator, then usually there are rights to collaborator under Joint R&D Agreement unless provided otherwise.



Joint R&D Agreements

An EU perspective on IP: FP7 contracts

- funding programmes created by the EU to support specific research areas
- FP7 contracts are exceedingly complicated, but they represent the Euro-view of how IP should be managed when centrally funded
- contracts must be read in conjunction with the Rules of Participation and the Grant Agreement Annex II (General Conditions)



Joint R&D Agreements

IPR under FP7

- IPR under FP7 is treated as a series of duties and rights
- the intention is to encourage **dissemination** and **commercial exploitation** as both serve the public interest
- foreground IP and “access rights” are dealt with in separate sections



Joint R&D Agreements

Multi-jurisdiction R&D Agreements

- where is the invention being developed?
- foreign license requirements?
- Canada does not require patent applications made in Canada to be first filed in Canada, however for public servant inventions, written consent is required of the appropriate minister before filing abroad

Joint R&D Agreements

Common Ownership Problems

- Failing to appreciate default status of participants (employees, consultants, researchers, students)
- Chain of title issues
- Lack of clarity regarding the rights of each co-owner of jointly owned IP

Joint R&D Agreements

- Government employees
 - Inventions created by a government employee while acting within the scope of her duties or employment, or using Government facilities or financial aid or employment, vests in the Crown
- Private employees
 - Usually owned by the employer
- Consultants
 - Usually owned by the consultant
- University Researcher
 - Depends on the institution

Co-ownership of patent rights

Co-ownership can arise due to:

- contract stipulating joint owners as is common in e.g. joint R&D agreement
- assignment of part of interest
- Patent granted to joint inventors or applicants

Co-ownership of patent rights

Co-ownership of patent rights in Canada

- Paragraph 31(5) of the *Patent Act*, grants that a patent is awarded in the name of all the applicants
- Co-applicants are co-owners
- Incorrectly named inventor will retain co-ownership in the patent
- Omitted inventor will have no rights in the patent

Co-ownership of patent rights

- The rights of co-owners are not addressed in the *Patent Act*
- Property and civil rights fall under the jurisdiction of the provinces
- Mixed jurisdiction- Civil law in Quebec, Common-law elsewhere which can give rise to different results

Co-ownership of patent rights

Common law

- a co-owner **can** dispose of her full interest without consent of the co-owners but **cannot** dispose of less than her full interest without consent
- assignment or licensing by a co-owner of her whole interest does not require consent of the other co-owners

Co-ownership of patent rights

Civil law

- restriction on the right of a co-owner to assign his rights by conferring a right of redemption to the other undivided co-owners

Co-ownership of patent rights

- Common-law
 - a co-patentee **may** use an invention without the consent of his co-patentees and for her own benefit
- Civil law
 - patentee **cannot** exploit the invention for his own gain without the consent of her co-patentees to whom she owes a duty to render account

Co-ownership of patent rights

Co-ownership in Europe

- national rules apply... but they **differ** between the contracting states of the EPC
- “an agreement to the contrary” almost always overrides national rules
- it is highly advisable to have an agreement to the contrary as the national rules are often limited or impractical



Co-ownership of patent rights

Statutory co-ownership rules in the UK

- each co-owner **can** practice the invention without account to the other
- but a co-owner **cannot** assign their share or licence or charge or amend the specification of a patent or application without consent of the others



Co-ownership of patent rights

Statutory co-ownership rules in France

- a co-owner **can** practice the invention but has to compensate those not doing so
- they **can** also assign their share but the others have a pre-emptive right of purchase
- they **can** grant non-exclusively licenses but have to compensate the others and offer them an assignment
- **cannot** exclusively license without consent



Co-ownership of patent rights

Statutory co-ownership rules in Germany

- co-ownership is through a legal entity sharing undivided interests in the patent: a **Bruchteilsgemeinschaft** (a co-op)
- each co-owner **can** practice without accounting to the others (so long as not prejudicial) and **can** assign (the new owner joins the co-op)
- licensing requires consent of all the co-owners but they can be obliged to give it by a majority decision of the co-op



Factors for Consideration in US

Government Funding: Step-in rights by Government entity (rare in US).

Patent Waiver: Certain government funded projects retain all ownership of inventions and require request for waiver to retain rights.

State Institutions: Each state may have laws which govern assignment of inventions which may impact rights under Joint R&D Agreement.



US Continuation Practice

A continuation is a second application for the same invention:

- must be filed before the original prior application becomes abandoned or patented;
- must include at least one inventor named in the prior nonprovisional application but determined by claimed subject matter;
- the continuation disclosure must be the same as that of the original application



Continuation-in-part Practice

A continuation-in-part (CIP) is an application filed during the lifetime of an earlier non-provisional application:

- must include some substantial portion or all of the earlier application;
- applicant is allowed to include matter *not disclosed* in the earlier application;
- must include at least one inventor named in the earlier application



US CIP Practice and Joint R&D

- A continuation-in-part filed by a sole applicant may also derive from an earlier joint application showing a portion only of the subject matter of the later application.
- A joint continuation-in-part application may derive from an earlier sole application.
- Rights in CIP application under Joint R&D Agreement usually determined by inventorship.



Joint R&D Patent Application Case Study

Neat&Clean is a US corporation and its cleaning robot Neater2008 is a top selling model. Neat&Clean has been always IP savvy and is the owner of an impressive global patent portfolio for Neater2008.

In 2009, Neat&Clean entered into a joint R&D agreement with NextWave, a start up company, to develop Neater2010 that can be operated via a cell phone from any location worldwide.

After the joint R&D program has ended, Neat&Clean on its own improved Neater2010 further into Neater2012.

- A. What patent applications can the companies file for Neater2010?
- B. What patent applications can Neat&Clean file for Neater2012?



Patent Application for Neater2010

Scenario A.

Neat&Clean and NextWave jointly file a patent application for Neater2010. In this case, the Neat&Clean prior patent application to Neater2008 is prior art and the Neater2010 application is rejected.

Scenario B.

Neat&Clean and NextWave file a CIP application which takes its priority from the Neater2008 application and the Neater2008 application is no longer prior art.



Patent Application for Neater2012

Scenario A.

Neat&Clean files a patent application for Neater2012. In this case, the Neater2008 and Neater2010 patent applications can be cited as prior art and it may be difficult to overcome the patentability rejections.

Scenario B.

Neat&Clean files a CIP application which takes its priority from the Neater2010 application and the Neater2008 or Neater2010 application is no longer cited as prior art.



Other issues

Right to claim priority in Europe

- the PCT **must** be filed by all the applicants to the priority application or their successors in title
- an assignment **cannot** retrospectively correct a lack of entitlement
- an assignment must be in writing and signed by both parties
- additional applicants **can** be added to the PCT without endangering the priority right... maybe!



Other issues

Double patenting in Canada

- No terminal disclaimers
- Unity of invention standard very different than US
- All claims related to an inventive concept must be pursued in one application
- Will not be able to file a divisional application for unclaimed subject matter even if different category of claim

Patent Application for Lorax2006

- John and Alice are co-inventors of a new cleaning robot, named Lorax2006. The cleaning robot was invented in the basement of John's home in Waterloo, Ontario. John and Alice file patent application for the Lorax2006 technology in Canada, U.S. and Europe.
- Alice has recently received an offer from CleanAll who wishes to purchase her IP rights in Lorax2006. Hesitant to part entirely with her hard work, Alice would rather assign only a portion of her interest to CleanAll and/or license the technology non-exclusively. Alice has not consulted John.

Hypothetical

- Can Alice assign part of her rights in the CA application to CleanAll without consulting John?
- Can Alice assign her rights in the CA application only to CleanAll without consulting John?
- What is the effect if the invention was made in Quebec?