IP bits

May 2016

Who Should Own New IP under an MTA?

Introduction

Under a material transfer agreement (MTA) an owner of material provides a sample of that material to the recipient. The material with which the MTA is concerned may be:

1. biological (a compound, an antibody, a protein, a cell line, etc), or
2. non-biological (an alloy etc),

The recipient's use of the material is likely to lead to the creation of new intellectual property. Who should own the New IP and Data under an MTA depends on the nature of the MTA, the identity of the parties, and the purposes for which the material was provided by the owner.

For present purposes, Data refers to data arising from experiments upon or with the material, by which its characteristics or performance etc are assessed or measured, and New IP refers to new inventions and discoveries, as well as unpatentable know how.

Material provided by research organisation as a service to the research community

When a university or research organisation provides material as a service to the research community, the MTA will often be silent about the ownership of New IP and Data created by the recipient. That being so, the recipient, as the employer of the researchers that created the New IP and Data, will usually own the New IP and Data.

This silence on the issue is intentional. When a university owner provides its material to a university recipient, it would normally be regarded as intolerable for the university owner to do so on condition that the recipient university surrender its ownership of the New IP or Data that it creates. It would hardly be a service to the research community in that case.

The Uniform Biological Material Transfer Agreement is a master agreement which many US universities and research organisations have adopted and signed up to. It sets out the agreed terms that those US universities and research organisations have agreed are appropriate for the transfer of biological materials between them, when that occurs as a service to the research community. It is silent about the ownership of New IP and Data, leaving these therefore to be owned by the recipient. It does however, in relation to biological materials, provide that the owner will own any new unmodified derivatives of the material, and that the recipient will own any modified derivatives of the material.

Provided by licensor to prospective licensee for evaluation purposes

The situation is different if an owner provides material to a recipient to enable the recipient to evaluate it, for example, to enable the recipient to undertake a due diligence on whether it may have interest in seeking a license of the intellectual property with which the material is associated. Where the MTA limits the use in this manner, it would not be expected that the recipient's limited evaluation use will give rise to New IP. But it may be expected that it may give rise to Data.

The ownership of the Data is not necessarily the most important issue. What is more important is that the Data is disclosed to the owner, as the owner of course is vitally interested in the results of the tests and analysis to which the recipient puts the material. What is also important is that the owner has the ability to use that Data, for example, to support a patent application.

This can be secured by the recipient either assigning or licensing the Data to the owner, in either case, for no payment. What is also important is that the recipient is bound by obligations of confidentiality to the owner, in relation to the Data.

But although New IP is not expected to arise in the course of the recipient's evaluation, it might. The recipient's scientists may, in the course of the evaluation testing and analysis undertaken, conceive of an invention. Or they may create unpatentable know how. Inventiveness by the recipient cannot be stopped, and it cannot be precluded. Who should own this New IP?

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Sometimes an MTA in these circumstances is also silent on the issue. In this case, again, the recipient will own any New IP that arises. A commercial decision to take this risk is often made, and to remain silent.

But from time to time this commercial risk is sought to be avoided. If the recipient owned the New IP, the recipient could as a result own a vital piece of IP, without which the owner's original IP cannot be effectively commercialised. This might give to the recipient the bargaining advantage in a negotiation of a license. So much so, as to devalue the owner's original IP.

To avoid this, the owner may seek to own that New IP created by the Recipient, and require the Recipient to assign it to the owner. A Recipient may be willing to agree to a term in the MTA to this effect, simply because it does not realistically anticipate New IP arising. It is therefore prudent to include such a term in an MTA on these occasions. The matter may end there, and get no further complicated.

But what if the Recipient does not agree to such a term? In that case, the Recipient does anticipate that New IP may possibly arise. As that New IP is the product of its own innovation and inventiveness, the Recipient is understandably unwilling to divest itself of ownership of the New IP that it creates. Its New IP might for example have application in the Recipient's own business. But even if it doesn't, why should the Recipient give away something of value?

A solution may be for the MTA to require disclosure of the New IP by the recipient to the owner, and for the recipient to grant to the owner an option or right of first refusal to negotiate a license to that New IP. There are some traps associated with options and rights of first refusal to negotiate a license which were considered in a previous edition of IP Bits (click here), and in a more detailed publication (click here).

Provided by company to university or research organisation

Universities sometimes request companies to provide their materials to them for research purposes. Again, the matter of the ownership or rights to use Data is easily dealt with. But in this type of MTA the question of the ownership of the New IP cannot be avoided, and must be dealt with.

Often the company owner of the material will be concerned that it is not prejudiced by the New IP that the university recipient might create. This prejudice might occur where the university might as a result of its research with the material own a critical or vital piece of New IP. The result might be that the company will now have to license in that New IP, introducing an overhead to its business. Where the New IP was within the capability of the company to create, the company's position might be reasonable. However, where the New IP was not in the company's capability to create, either because it lacked the innovative staff, or lacked access to specialist equipment, or lacked resources, etc, the company's position is less reasonable.

Many, if not most companies will not seek to own the university recipient's New IP. Instead they will be content with having an option or right of first refusal to negotiate a license to the New IP. This is a fair way to approach all MTAs where a company is the provider and a university is the recipient. After all, the university is applying its own resources, and the innovation and inventiveness of its staff, and undertaking the research at its own expense. As mentioned earlier there are traps associated with options and rights of first refusal to negotiate a license which were considered in a previous edition of IP Bits (click here), and in a more detailed publication (click here).

Something to watch out for however is a term in a company to university MTA where the company seeks a royalty free non-exclusive license to the New IP. If such a free license is granted, the company may not need to exercise its option or right of first refusal and no royalty bearing license may ever be sought from the university recipient. Such a royalty free license can disadvantage the university.

Sometimes, consideration might be given to the ownership of New IP being joint as between the company provider and the university recipient. Joint ownership in these circumstances has traps for the university or research organisation, which were considered in a previous edition of IP Bits (click here), and in a more detailed publication (click here).