

NERF Pilot Program Sample Intellectual Property Rights Provisions

INTRODUCTION

Based upon the authority granted under the NERF Pilot Program, C&G Officers have a wide range of options available in granting rights to future intellectual property developed by University researchers in the performance of sponsored research. These options range from the standard University intellectual property rights provisions as described in Chapter 11 of the University Contract and Grant Manual to various forms of a non-exclusive, royalty-free license. C&G Officers should ensure, working with the Campus Licensing Office (CLO), that any grant of intellectual property rights under the NERF Pilot Program authority are properly evaluated in the context of the scope of the proposed research project, consistent with the guidance provided in this Operating Guidance Memo, and the provisions of the University Policy on Principles Regarding Rights to Future Research Results in University Agreements with External Parties.

The sample intellectual property rights provisions below are provided as a flexible tool for use by C&G Officers and the CLO in crafting intellectual property rights provisions in sponsored research agreements when exercising the NERF Pilot Program authority. These sample provisions may be adapted by the C&G Officer and the CLO to address specific issues of concern to the University when exercising the NERF Pilot Program authority. Enclosure B to this Operating Guidance Memo provides a detailed discussion of factors to consider when exercising the NERF Pilot Program Authority. The C&G Officer and the CLO may need to adapt the use of certain terminology in the sample provisions to correspond with intellectual property definitions (e.g. Invention, Subject Invention, University Invention, etc.) negotiated within the sponsored research agreement. In addition, bracketed language (e.g., [text]) provides an option for consideration and may be included at the discretion of the C&G Officer or the CLO.

As many options are available to C&G Officers in granting a sponsor intellectual property rights under the NERF Pilot Program authority, C&G Officers are strongly encouraged to work with their CLO in either adapting the sample provisions or crafting appropriate intellectual property rights provisions under the NERF Pilot Program authority. Please feel free to contact OTT for assistance if there are any questions concerning the applicability of specific language for a particular situation.

STANDARD UNIVERSITY INTELLECTUAL PROPERTY POSITION

DX. Invention Rights.

DX.1 "Invention" shall mean any patentable invention conceived and first actually reduced to practice in the performance of the Scope of Work under this Agreement.

DX.2 Ownership of Inventions

Inventorship shall be determined in accordance with U.S. Patent Law. All rights to Inventions made solely by employees of University shall belong solely to University ("University Invention"). All rights to Inventions made jointly by employees of University and employees of Sponsor ("Joint Inventions") shall be jointly owned.

DX.3 Invention Disclosures

University shall promptly disclose to Sponsor any University Inventions. Each Party agrees to promptly disclose any Joint Inventions to the other Party. Sponsor shall hold any such disclosure by University on a confidential basis and will not disclose the information to any third party without consent of University.

DX.4 Sponsor Rights to University Inventions

To the extent University has the legal right to do so, University shall offer to Sponsor, in accordance with the provisions of this paragraph DX.4, a time-limited first right to negotiate (1) an exclusive or non-exclusive, royalty-bearing license to make, have made, use, or sell University Inventions [in the Field] and (2) an exclusive, royalty-bearing license to make, have made, use, or sell the University's interest in Joint Inventions.

Election Period

Within thirty (30) days after University discloses a University Invention or Joint Invention to Sponsor, Sponsor shall advise University in writing whether or not it wishes to secure a commercial license ("Election Period"). If Sponsor does not elect to secure such license, rights to Inventions disclosed hereunder shall be disposed of in accordance with University policies, with no further obligation to Sponsor.

Negotiation Period

Sponsor shall have ninety (90) days from the date of its election to conclude a license or option agreement with University ("Negotiation Period"). Said license shall contain reasonable terms, shall require diligent performance by Sponsor for the timely commercial development and early marketing of such inventions, and include Sponsor's obligation to reimburse University's patent costs for all inventions subject to the license. If such license or option is not concluded within the Negotiation Period, or any mutually

agreed upon extension of the Negotiation Period, neither Party has any further obligations to the other with regard to such Invention.

DX.5 Patent Applications

In the event it is necessary in the opinion of University to file any patent application to protect an Invention during the Election or Negotiation Periods, Sponsor shall reimburse patent costs incurred by University during such periods. The Parties agree to consult with one another prior to taking any action to obtain patent protection for Joint Inventions.

DX.6 Nothing contained in this Agreement shall be deemed to grant either directly or by implication, estoppel, or otherwise any license under any patents, patent applications, or other proprietary interests to any other invention, discovery, or improvement of either Party.

RECOMMENDED USE: For-Profit Sponsors

LIMITATIONS: None

RESEARCH-ONLY NERF PROVISION

DX. Invention Rights.

DX.1 "Invention" shall mean any patentable invention conceived and first actually reduced to practice in the performance of the Scope of Work under this Agreement.

DX.2 Ownership of Inventions

Inventorship shall be determined in accordance with U.S. Patent Law. All rights to Inventions made solely by employees of University shall belong solely to University ("University Invention"). All rights to Inventions made jointly by employees of University and employees of Institution ("Joint Inventions") shall be jointly owned.

DX.3 Invention Disclosures

University shall promptly disclose to Institution any University Inventions. Each Party agrees to promptly disclose any Joint Inventions to the other Party. Institution shall hold any such disclosure by University on a confidential basis and will not disclose the information to any third party without consent of University.

DX.4 Institution Rights to University Inventions

To the extent University has the legal right to do so, Institution shall have a nontransferable, royalty-free non-exclusive license to use such University Inventions for research and education purposes without the right to sublicense such rights.

DX.5 Patent Applications

The Parties agree to consult with one another prior to taking any action to obtain patent protection for Joint Inventions.

DX.6 Nothing contained in this Agreement shall be deemed to grant either directly or by implication, estoppel, or otherwise any license under any patents, patent applications, or other proprietary interests to any other invention, discovery, or improvement of either Party.

RECOMMENDED USE: Academic and Non-Profit research institutions

LIMITATIONS: Not for use with single sponsor For-Profit institutions (instead use "Internal Use NERF"). For multiple sponsor situations, see Alternatives below.

ALTERNATIVES:

Multi-Party Collaborations/Consortia

The above provisions may be adapted for use with research arrangements involving multiple parties by incorporating the sample provision below into Article DX.4. Such arrangements may include the participation of academic institutions, non-profits, or for-profit institutions. The following alternate license rights provision limits the collaborating parties' use of any Inventions to only the duration of the collaboration and only for the purpose of a collaborator's performance of the Scope of Work under the Agreement:

“Each Collaborator hereto, subject to its legal ability to do so without obligation to others, shall grant to the other Collaborators a royalty-free, nontransferable non-exclusive license during the term of the Agreement to use its Inventions solely as necessary for the performance of each Collaborator's respective obligations under its respective Scope of Work.”

INTERNAL USE NERF PROVISION

DX. Invention Rights.

DX.1 "Invention" shall mean any patentable invention conceived and first actually reduced to practice in the performance of the Scope of Work under this Agreement.

DX.2 Ownership of Inventions

Inventorship shall be determined in accordance with U.S. Patent Law. All rights to Inventions made solely by employees of University shall belong solely to University ("University Invention"). All rights to Inventions made jointly by employees of University and employees of Sponsor ("Joint Inventions") shall be jointly owned.

DX.3 Invention Disclosures

University shall promptly disclose to Sponsor any University Inventions. Each Party agrees to promptly disclose any Joint Inventions to the other Party. Sponsor shall hold any such disclosure by University on a confidential basis and will not disclose the information to any third party without consent of University.

DX.4 Sponsor Rights to University Inventions

To the extent University has the legal right to do so, Sponsor may elect to secure a nontransferable, royalty-free non-exclusive license [without the right to sublicense] to University Inventions to make or use such Inventions for Internal Use Purposes under patent rights filed to claim such Inventions in accordance with the provisions of this paragraph DX.4. "Internal Use Purposes" shall mean any internal and experimental activities performed within the scope of the license granted and subject to confidentiality requirements contained in this Agreement and shall not include use as or for development of a product intended for or resulting in commercial distribution or exploitation.

Election Period

Within thirty (30) days after University discloses a University Invention to Sponsor, Sponsor shall advise University in writing whether or not it wishes to secure a non-exclusive Internal Use Purposes license to such Invention ("Election Period"). If Sponsor does not elect to secure such license, rights to Inventions disclosed hereunder shall be disposed of in accordance with University policies, with no further obligation to Sponsor.

Negotiation Period

Sponsor shall have ninety (90) days from the date of its election to conclude said license agreement with University ("Negotiation Period"). Sponsor's election to negotiate a royalty-free, non-exclusive Internal Use Purposes license may require some form of financial consideration. If such license is not concluded within the Negotiation Period, or

any mutually agreed upon extension of the Negotiation Period, neither Party has any further obligations to the other with regard to such Invention.

DX.5 Patent Applications

In the event it is necessary in the opinion of University to file any patent application to protect an Invention during the Election or Negotiation Periods, Sponsor may be required to reimburse patent costs incurred by University during such periods in accordance with the provisions of Article DX.4. The Parties agree to consult with one another prior to taking any action to obtain patent protection for Joint Inventions.

DX.6 Nothing contained in this Agreement shall be deemed to grant either directly or by implication, estoppel, or otherwise any license under any patents, patent applications, or other proprietary interests to any other invention, discovery, or improvement of either Party.

RECOMMENDED USE: For-Profit sponsors. Note: a campus/Laboratory, at its discretion, may also include options for a sponsor to acquire commercial rights to University Inventions and the University's interest in any Joint Inventions.

LIMITATIONS: Others may refer to this option as a "non-commercial" license though companies often object to the use of the term, arguing that everything the company does is, by definition, commercial. The ability, however, to limit a sponsor's commercial use is directly linked to a sufficiently narrow definition of "Internal Use Purposes". The definition should limit the Sponsor's use to those activities that the campus/Laboratory consider "non-commercial" in nature (e.g., testing the efficacy of a process or validating the scientific principles employed by the invention).

COMMERCIAL NERF PROVISION

DX. Invention Rights.

DX.1 "Invention" shall mean any patentable invention conceived and first actually reduced to practice in the performance of the Scope of Work under this Agreement.

DX.2 Ownership of Inventions

Inventorship shall be determined in accordance with U.S. Patent Law. All rights to Inventions made solely by employees of University shall belong solely to University ("University Invention"). All rights to Inventions made jointly by employees of University and employees of Sponsor ("Joint Inventions") shall be jointly owned.

DX.3 Invention Disclosures

University shall promptly disclose to Sponsor any University Inventions. Each Party agrees to promptly disclose any Joint Inventions to the other Party. Sponsor shall hold any such disclosure by University on a confidential basis and will not disclose the information to any third party without consent of University.

DX.4 Sponsor Rights to University Inventions

To the extent University has the legal right to do so, University shall offer to Sponsor, in accordance with the provisions of this paragraph DX.4, a time-limited first right to negotiate (1) an exclusive, royalty-bearing or non-exclusive, royalty-free license to make, have made, use, or sell University Inventions [in the Field] and (2) an exclusive, royalty-bearing license to make, have made, use, or sell the University's interest in Joint Inventions.

Election Period

Within thirty (30) days after University discloses a University Invention or Joint Invention to Sponsor, Sponsor shall advise University in writing whether or not it wishes to secure a commercial license ("Election Period"). If Sponsor does not elect to secure such license, rights to Inventions disclosed hereunder shall be disposed of in accordance with University policies, with no further obligation to Sponsor.

Negotiation Period

Sponsor shall have ninety (90) days from the date of its election to conclude a license or option agreement with University ("Negotiation Period"). If Sponsor elects to secure an exclusive license, said license shall contain reasonable terms, shall require diligent performance by Sponsor for the timely commercial development and early marketing of such inventions, and include Sponsor's obligation to reimburse University's patent costs for all inventions subject to the license. Sponsor's election to negotiate a royalty-free, non-exclusive commercial license may require some form of [financial] consideration [under commercially reasonable terms customary under industry standards for such

licenses] and may require diligent performance by Sponsor for the timely commercial development and marketing of Inventions. If such license or option is not concluded within the Negotiation Period, or any mutually agreed upon extension of the Negotiation Period, neither Party has any further obligations to the other with regard to such Invention.

DX.5 Patent Applications

In the event it is necessary in the opinion of University to file any patent application to protect an Invention during the Election or Negotiation Periods, Sponsor may be required to reimburse patent costs incurred by University during such periods in accordance with Article DX.4. The Parties agree to consult with one another prior to taking any action to obtain patent protection for Joint Inventions.

DX.6 Nothing contained in this Agreement shall be deemed to grant either directly or by implication, estoppel, or otherwise any license under any patents, patent applications, or other proprietary interests to any other invention, discovery, or improvement of either Party.

RECOMMENDED USE: For-Profit sponsors

LIMITATIONS: None

ALTERNATIVES:

Due Diligence

If the Sponsor refuses to agree that the NERF license may require diligent performance by Sponsor for the commercial development of University Inventions under the provisions of the license, the following alternative may be considered:

“In the event that University becomes aware of a third party interested in pursuing commercialization of the University Invention in the Field on an exclusive basis and Sponsor does not have a product that incorporates the University Invention either for sale or under active development in the Field, then Sponsor may provide written notice of its intent to actively pursue a product in the Field (“Notice of Intent”) within ninety (90) days of notification by University. In such event, the parties shall agree to development milestones to be met during product development within ninety (90) days of University’s receipt of the Notice of Intent. In the event that Sponsor does not timely provide a Notice of Intent or the product development milestones are not agreed-upon, the non-exclusive, royalty-free license granted hereunder may be limited to certain Fields [where Sponsor’s products, either for sale or under development, incorporate the University Invention] [or terminated] by University.”