Foundation Perspectives
Strategies for Bridging the Gap

M. Jeremy Trybalsky
Consultant, Industry/Non-Profit Sponsors
Formerly Technology Transfer Officer, Office of Technology Transfer, University of California Office of the President

Heather Kubinec
Contract and Grant Officer, University of Southern California
Formerly Senior Research Administrator, Scientific and Medical Research Initiatives, The Broad Foundation
Welcome!

- Today’s session will explore University-Foundation relationships from both sponsor and recipient perspectives.
- We will review issues that come up with foundation awards (often related to IP), and will share strategies for conveying and understanding differing perspectives, as well as best practices for building successful relationships.
About Us

• **M. Jeremy Trybulski**
  – 33 years at University of California
  – 23 years experience working with nonprofit and industry sponsors, material providers and visitor collaboration agreements
  – Currently a contractor for UCLA

• **Heather Kubinec**
  – Former Senior Research Administrator, The Broad Foundation
    • Negotiated agreements with all grantees (most often Universities - US and international)
    • Worked with Foundation Board to craft grant policies
  – Currently, Contract and Grant Officer, University of Southern California
Why do we need to bridge the gap between University and Foundation?

• Foundations frequently request terms that are inconsistent with the policies of academic institutions. In our experience, this is increasing. The sticking point is often intellectual property.

• In fact, some foundations have separate IP agreements.

• Others have challenging IP language within specific grant agreements or as incorporated into policy documents.

• These policy documents may often be “non-negotiable” per the foundation.

• Finally, we need to build relationships with foundations because their funding is important in light of shrinking Federal research dollars.
Approaching a Foundation to Negotiate...

• First, what distinguishes a private foundation from a public charity?
  – Private Foundations do not solicit funds from the public, but draw funds from a single source (individual, family, company) and often rely on investment earnings as source of ongoing support.
  – A Public charity generally derives financial support primarily from the general public (grants from government, individuals and private foundations). Most conduct direct service or other tax-exempt activities.
  – This distinction is important - a private foundation that is self-funded may have more flexibility in terms of negotiations.
    • They are not concerned with fundraising and may not have as much of an interest in revenue sharing.

• Pick up the phone

• Ensure you reach the person who is able to negotiate your agreement.
  – The program officer may or may not be appropriate; one may need to request a conversation with their internal or external counsel.

• Understand key stakeholders
  – University: PI, Dean, Office of President, etc.
  – Foundation: Board, Peer Review Committee, President, etc.

• Finally, depending on the foundation, they may have limited support staff or resources to address concerns and it may take time to resolve the issues.
What are key IP issues?

- Royalty Sharing
- Ownership of IP
- Licensing Rights
- March In Rights
- Background Rights
- Reversionary Rights
Royalty Sharing

• Foundation Perspective:
  – We contributed funding, therefore, we would like to share in the commercialization efforts.
  – Any proceeds will support our mission as a non-profit.

• University Perspective:
  – Standard Institution practice is not to share with sponsors of research, however, UC has made an exception for sharing with a NP.
Criteria for Royalty Sharing

• If requested, UC is willing to share royalties with NP based on set practices:
  – UC will share net royalty income.
  – UC will share based on NP’s proportionate amount of funding to the development of the invention.
  – UC will share after net royalty income exceeds $500k.

• Net Royalty Income = Gross Income less:
  – patent expenses;
  – inventor distributions; and
  – mandatory distributions under UC Patent Policy.
Sample Language

• “Institution shall pay to NP Royalties on Returns attributable to the Intellectual Property, including net sales of any products and monetary compensation for any license, at a rate of fifty per cent of such Returns. If Institution fails to provide NP with any royalties within five years from the date of initial payment from NP, NP has the right to grant two non-exclusive, worldwide sublicenses to use the Intellectual Property and to make and sell products attributable to the Intellectual Property.”
Sample Language

• “UC agrees to share Net Royalty Income with NP based upon the proportionate amount of funding NP contributed to the development of the Invention. Net Royalty Income shall mean gross income from the commercialization of the Invention minus patent expenses, inventor distributions and mandatory distributions under UC policy. Such sharing will begin once Net Royalty Income exceeds $500,000.”
Resolution

• How did we work out a resolution to the royalty language in the agreement we negotiated together?
• Originally, the language stipulated that the foundation would get a percentage of gross royalty revenue after the first $1M.
• Resolution: NP would get a percentage of gross royalty revenue after the first $2M.
Ownership of Data/Results

• University Perspective:
  – We must retain ownership of data, analysis and results.
  – Allows faculty and students to publish results and use for future research.
  – Allows students freedom to use data for theses and dissertations.
  – Provide patient care.

• Foundation Perspective:
  – We want to be able to use data and results without the risk of legal action.
  – We want to ensure that the results are disseminated for the public good. (March in Rights – more on this later).
Ownership of Data/Results (continued)

• What options does one have if the sponsor insists on owning data?
• Say “no” and indicate they get “deliverables” that they own.
• Allow joint ownership
  – Allows both parties to independently use data without restrictions.
Scope of Rights

• Kitchen Sink: “Title to “Intellectual Property” defined as intellectual property rights, including patents, patent application, trade secrets, trademarks, copyrights, discoveries, inventions, improvements, developments, drawings, in any medium that is made, conceived, developed or reduced to practice by Institution which result from or relate to the Research or which are funded in whole or partly by NP reside with Institution.”

• In the Box:
  – Invention shall mean any patentable discovery conceived and reduced to practice in the performance of this NP award.
  – Copyright shall mean any copyrightable works first created in the performance of this NP award.
Good or Bad?

• Patentable inventions (Inventions) conceived and reduced to practice in the performance of the award...

• Patentable inventions conceived and reduced to practice during the performance of the award (Inventions)...
Licensing Rights

• For-profits would require a commercial license and most likely exclusivity for revenue purposes, but why would a NP want a license???
• Typically, a NP wants to use the invention, deliverables, etc. for internal use without fear of legal action.
• However, do not grant the NP a commercial license:
  – NP has no commercialization capabilities.
  – University cannot exclusively license for commercial development.
  – University must ensure that invention is made available for the public benefit.
• What if the NP insists on a license?
  – NP may use invention for non-commercial, internal research purposes only.
  – Usually, this takes the form of a “NERF” or non-exclusive, royalty-free license.
  – This will usually satisfy their needs.
Sample Language

• “With respect to Intellectual Property, NP shall have a non-exclusive, non-transferable, irrevocable, paid-up license to make, use and sell, or have made, the subject matter throughout the world.”

• “With respect to Intellectual Property, NP shall have a non-exclusive, non-transferable, irrevocable, paid-up license for non-commercial, internal, research purposes (with no rights to sublicense) only.”
March-in Rights

• NP wants to ensure invention is made available for public benefit.

• Sample language includes:
  – Grantee agrees to take effective steps under reasonable circumstances to bring the invention to practical application within (years)...if not,
    • cancellation of any exclusive license
    • assignment of invention to NP
March-in Rights (continued)

• March-in Rights restrict institution’s licensing capabilities.
• This impedes institution’s ability to commercialize invention for public benefit.
  – Institution needs licensee to further develop invention.
  – It is difficult, if not impossible, to find licensee.
    • Licensee needs guarantee of exclusivity.
      – Licensee will not expend $ to develop invention.
March-in Rights (continued)

• Request that language be stricken from NP policy.

• If you must address NP public benefit concern, University can:
  – Provide an annual report providing general information on progress in licensing invention.
    • Requires confidentiality clause

• What if you have to do more? You can:
  – Require diligence provisions in license agreements.
  – Licensing officer must retain flexibility to determine appropriate diligence provisions based on type of technology.
    • Institution will monitor and enforce.
    • Don’t let NP approve the licensee or license terms
Sample Language

• “Institution agrees that if it or its designee or licensee has not taken effective steps within three years after the first to occur of an issuance of a patent or a clear determination of commercial value in an Invention that is being administered by Institution to bring the Invention to practical or commercial application through licensing or otherwise on terms that are reasonable in the circumstances and cannot show reasonable cause why it should retain title to and rights in the administration of the Invention..., then the NP shall have the right to require (i) licensing of the said patent of intellectual property right to the NP with the right to sublicense, (ii) cancellation of any outstanding exclusive licenses, (iii)..., or (iv)...”
Background Rights

• Do not do it
  – Sponsor did not fund the research leading to the invention
  – Unknown conflicting sponsor obligations
• If you must...
  – Limit to non-commercial purposes (for sponsor use)
  – Box around scope of use (as narrow as possible)
  – Limit to PI (not to Institution)
  – For duration of award, only
  – Coordinate with your technology transfer office
Sample Language

• “In the event that Institution owns or licenses any Intellectual Property Rights that are necessary to practice or use the Invention and are not party of the Invention (Related IP Rights), Institution hereby grants the Sponsor a perpetual, irrevocable, non-exclusive, fully paid up, royalty-free license (with right to sublicense through multiple tiers) to practice and use such Related IP Rights solely to the extent necessary to practice and/or use the Invention as permitted in this Agreement…”

• Remove the “bad” language
EXCEPTIONAL Circumstances

• Institution always retains title to an Institution-developed invention, and

• Institution NEVER grants commercial rights to NP, however...
Sample Language

• “Institution and NP shall resolve, in mutual consultation, matters such as filing and prosecution of patent applications and administration of any patent issues resulting from or related to the Research. If Institution does not wish to file any patent application(s) and NP does, NP shall have the right to do so and Institution will assign its interest in such application(s) (to NP).”
Sample Language

• “If Institution determines no viable means of commercialization for Invention and decides to abandon the patenting process for Invention, NP may request Institution to continue with patenting process at NP expense.”

• Typically, the sponsor pays all patent expenses.
  – We should not be in a position to file for patent expenses.
  – If sponsor wants license, they should pay patent expenses.
Reversionary Rights

• If Institution chooses not to pursue invention, title may be assigned to NP under certain circumstances:
  – “to the extent Institution is legally able...” - may have third-party sponsor obligations, such as to the Federal government.
  – When Institution determines there is no viable means of commercialization for invention.
    • First, offer license under standard Institution terms
    – Institution must *ALWAYS* reserve right to use invention for research and academic purposes.
Reversionary Rights (continued)

- **Not acceptable** - “If Grantee decides to abandon the patent or patent application... Grantee agrees to assign title...”
  - third-party sponsors

- **Not acceptable** - “If Grantee does not intend to file for patent protection, then Grantee will assign title...”
  - other means for Institution to commercialize
    - bailment

- **Preferable** - “If Grantee decides to abandon the patent or patent application and determines no viable means of commercialization of Invention, Grantee agrees to:
  - “Continue patenting process at sponsor request and expense” and/or
  - “Grant sponsor a commercial license [with rights to sublicense] under standard Institution terms”

- **Acceptable** - “If Grantee decides to abandon the patent or patent application and not pursue commercialization of the Invention, to the extent legally able, Grantee agrees to assign title...”
A foundation’s intent is usually not to restrict the right to publish; they are often concerned with ensuring that their name is used correctly. However, sometimes agreement language is contradictory to this.

- Best practice: Explain University stance regarding publishing. (academic freedom, mission of disseminating information, graduate student ability to publish, etc.)
- Offer to place a disclaimer indicating that the views in the publication are not those of the foundation.
- Offer a review and comment period for publications.

When they say “publication”, they usually mean “publicity”.
- Explain the difference between the two and why the distinction matters to the University.
Other Issues?

- Confidentiality
- Indemnification and Other Liability Issues
- Audit Requirements
- Governing Law
- Dispute Resolution, Arbitration, and Mediation
- Termination
Thank you!