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Grounding IP Collaboration

The Stratification of Relevant IP in Collaboration Agreements

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Collaborative engagements between organizations involved in innovation have become increasingly commonplace. In the E.U., the Horizon 2020 initiative committed nearly €80 billion of funding over 7 years (2014 to 2020) to work programmes, with significant funding provided to collaborative efforts. In Canada, the Innovation Superclusters initiative is investing up to $950 million CAD to promote targeted innovation in key sectors, namely Oceans, Artificial, Digital, Protein, and Advanced Manufacturing.

INTRODUCTION

This paper is the first in a series examining key questions, considerations, and concepts pertinent to collaborative engagements that utilize or result in the creation of intellectual property or other intangible assets. These collaborative engagements frequently involve a combination of governments, SMEs, large firms, colleges and universities, and non-profits that together share and create intangible assets. A well-drafted collaboration agreement ("CA") is critical in cementing the rights and obligations of each party to the collaborative engagement. Fundamental to such agreements is the appropriate consideration of intellectual property ("IP") rights implicated or created over the course of the engagement.

This first paper explains how IP rights relevant to a collaborative engagement can be stratified based on the timing and circumstances of their creation, and reviews key considerations for how each stratum of IP rights can be addressed in a CA.

KEY TAKEAWAYS

A thoughtful collaboration agreement is an important first step in any collaborative engagement. In order to ensure that the full range of implicated IP rights is considered under a CA, the parties should stratify IP rights based on the timing and circumstances of their creation. The result will often be four strata of rights: background IP, foreground IP, sideground IP, and postground IP. For each stratum, parties will need to address certain key considerations, including identification and disclosure requirements, and ownership and compensation structures.

STRATA OF IP

Collaborative engagements can give rise to at least four strata of IP rights, as shown in Figure 1 below: background IP, foreground IP, sideground IP, and postground IP.

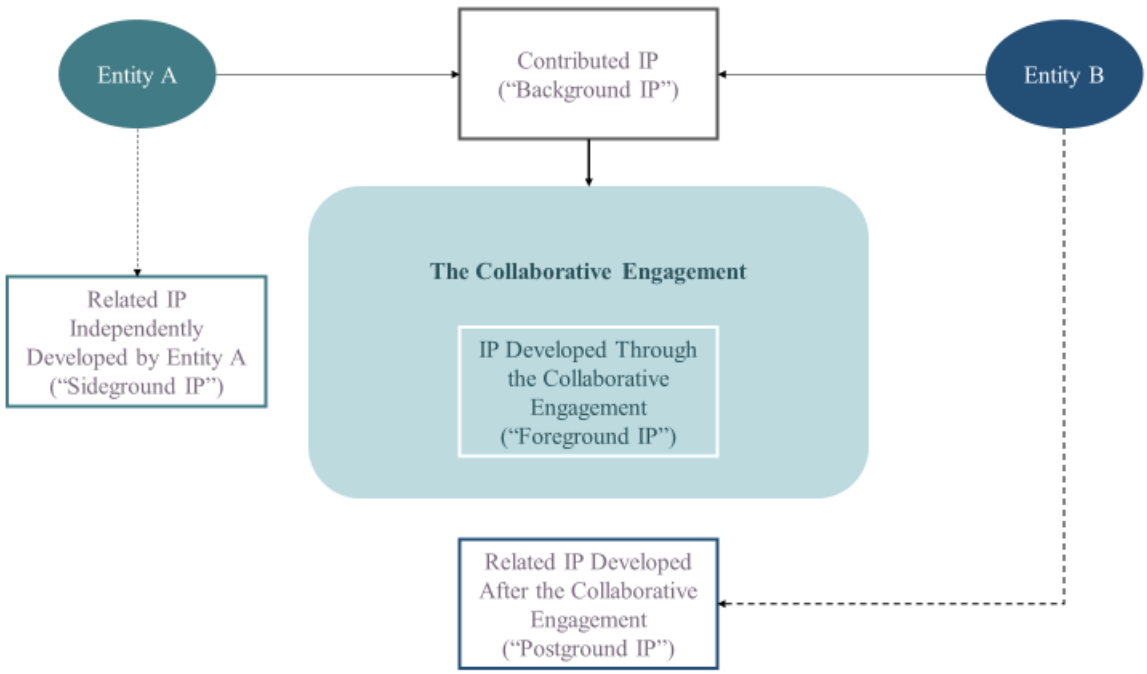

Figure 1: Strata of IP Rights in Collaborative Engagements

BACKGROUND AND FOREGROUND IP

The two most commonly considered strata are background IP and foreground IP.

Background IP typically refers to IP rights that are relevant to the collaborative engagement and already held by a collaborator. To the extent the exploitation of such IP is necessary to achieve the aims of the collaboration, a CA will typically include a license for collaborators to use the background IP and will address compensation for such use.

Foreground IP typically refers to IP that results from the collaborative engagement. In many cases, the creation of this foreground IP is the very point of the collaboration. In other cases, foreground IP may simply be incidental to the collaboration (e.g. copyright in reports generated, or IP derived from unexpected results of the collaboration). The CA should comprehensively address ownership of foreground IP. While joint ownership of foreground IP is commonly adopted, it is not necessarily desirable given the complexities that may arise (see below). The CA should also provide for decision-making mechanisms, revenue or profit-sharing mechanisms, liability and risk-sharing mechanisms, and dispute resolution mechanisms for foreground IP.

SIDEGROUND AND POSTGROUND IP

Sideground IP and postground IP are less frequently addressed in CAs but are equally worthy of consideration.

Sideground IP typically means relevant IP that is created by a collaborator during the period of the collaborative engagement, but not as a result of the collaboration. For example, computer processor company ABC Inc. commits a team of engineers to work on a collaborative effort with XYZ Inc. to speed up processing times. Independently, a different ABC Inc. engineering team develops a processing solution that achieves the goal of the collaboration. Sideground IP clauses deal with this situation; does ABC Inc. need to share its second team's solution with XYZ Inc.? Can ABC Inc. terminate the CA and exploit their second team's IP? Can ABC Inc. enforce its rights in the sideground IP against XYZ Inc.?

Postground IP considers a different problem – how do collaborators deal with relevant IP that is created *after* the collaborative engagement is complete? For example, what if ABC Inc.'s second team came up with their solution after a collaborative engagement with XYZ Inc. was unsuccessful? This can be a multi-faceted discussion and it may be useful to create subclassifications of postground IP such as:

1. Improvements to foreground IP;
2. IP that achieves the goals of the collaborative engagement; and
3. IP created by, or in further collaboration with, third parties using foreground IP.

Properly dealing with postground IP requires understanding the nature of the project: is the collaborative engagement meant to foster ongoing innovation, or enable others to do so? It also requires consideration of the relationship between the parties: is the collaborative engagement meant to be time- and/or scope-limited, or is there a longer and/or larger view?

SOME KEY CONSIDERATIONS FOR IP STRATA

Definitions

The terms foreground IP, background IP, sideground IP, and postground IP are not codified or defined by statute, and do not otherwise have standardized meanings. A CA must therefore carefully define these terms and may do so in a manner that reflects the nature of the particular collaborative engagement.

Identification of IP and Disclosure Obligations

Disclosure obligations are critical to successful collaborative engagements. Once properly defined, the categories of background IP, foreground IP, sideground IP, and postground IP provide a useful taxonomy. But they serve no purpose unless the IP falling into each stratum is identified and disclosed to other collaborators.

For example, 3GPP, a wireless telecommunication standards body, is responsible for developing "3G" and "4G" mobile communication standards. It is expected that 3GPP members will disclose any applicable, relevant IP that they own if they participate in the development of an aspect of a standard. If their IP is incorporated into the standard, it is expected that they will license it to other 3GPP members on fair, reasonable, and non-discriminatory terms (often referred to as "FRAND terms"). Without such mechanisms, wireless carriers and telephone manufacturers could not implement 3G and 4G standards without creating significant additional liability and litigation risk.

A CA should address the obligations of a party to conduct searches of their IP, it should carefully define the disclosure obligation, and it should address the consequences of non-disclosure.

Joint Ownership and Jurisdictional Issues

Collaborators must agree on ownership rights for each strata of IP. CAs frequently clarify that background IP remains owned by the original party, and often go so far as to set the scope and terms of the license granted.

A common approach for foreground IP is to provide for joint ownership or control over such rights. While this approach may seem equitable and therefore desirable, it has some important drawbacks. First, the rights of joint owners in IP may vary by jurisdiction. For example, the right to make, use, offer to sell, sell, or import a patented invention without the consent of other joint owners can differ by jurisdiction in subtle ways. Second, where ownership is joint, decisions regarding exploitation and enforcement of IP can require constant negotiation between parties. Such decisions, where allowed to be made unilaterally (again, dependent on jurisdiction), may allow one joint owner to act in a manner that is opposed to the interests of another. As such, in some circumstances a special-purpose entity may be a preferable owner of the Foreground IP. A future paper in this series will compare the pros and cons of such structures.

Canadian innovators will increasingly find opportunities for collaborative engagements as our economy shifts toward intangible assets. The Canadian government has displayed clear support for collaborative efforts through its Innovation Supercluster initiative.

In this new landscape, it is important that innovators plan proactively to avoid disputes, curb inefficiencies, and retain the value of new innovations. Collaboration agreements are a critical tool to this end – well-drafted CAs foster collaborative development in a manner that protects all parties and allows them to realize the full benefit of resulting intangible assets.

About Gilbert's LLP

Tim Gilbert founded Gilbert's LLP in 2001 with a view to the IP implications of the health sector – at the time, generic pharmaceuticals.

Gilbert's has since grown into a robust firm devoted to creative and innovation-driven industries. The firm's guiding principle is to maximize the value of IP for its clients – from idea to market.

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