

Technology Transfer Tactics™



The monthly advisor on best practices in technology transfer

Researcher merry-go-round: Best practices for handling departing faculty

This summer, a legal battle between the University of California at San Diego (UC-San Diego) and the University of Southern California (USC) in Los Angeles highlighted just how contentious disputes over research and other intellectual property can become when a faculty member departs one university for another institution. The trouble began when USC launched a new Alzheimer's study center and recruited a UC-San Diego faculty member who was an Alzheimer's disease expert and the lead researcher on the 25-year, \$100 million Alzheimer's Disease Cooperative Study, according to multiple reports from the *Los Angeles Times*.

That faculty member and several colleagues took the study's extensive research database with them when they left, spurring UC-San Diego to file suit for the return of the database, as well as unspecified monetary damages. While other aspects of the lawsuit remain pending, in July a judge ordered USC to return the database to UC-San Diego, which maintained control of the government funding.

Details of the case remain murky, but that outcome seems generally in line with standard academic practice, suggests **Becky Stoughton**, MBA, CLP, vice president of Fuentek LLC in Apex, NC. "Transferring ownership of the results of research (such as a database) that happened prior to the researcher's employment with the new university would be very atypical."

Not every university will end up in a news-making legal tangle, but other significant consequences can occur if technology transfer offices don't properly manage researcher departures, says **Kelly Sexton**, PhD, director of the Office of Technology Transfer at North Carolina State University in Raleigh.

"For example, in one case that I have seen in the past an inventor made a disclosure to the university; the university filed patents; and then the researcher went to another university and disclosed the same IP there," Sexton says. "Fortunately, the original university had co-ownership in some related technology, and was able to find the published patent application and see that those sequences had been patented already. At best, the situation could have been a waste of the second university's money, and at worst, it could have been a patent fight if the new university had gone so far as to license the technology only to find out it had already been patented -- wasting a lot of money and effort."

Researchers tend to change institutions fairly frequently, points out **Julie Watson**, JD, CLP, special counsel for Marshall, Gerstein & Borun LLP in Chicago, so it's best to be prepared. "It is not uncommon for a situation to come up where preventive action is beneficial. So while many universities do take steps to ensure researcher departures don't have a negative impact, that process can be fine-tuned by implementing best practices."

Best practices when faculty depart

Those best practices include the following steps:

- **Review the university's IP policy.** "The IP policy must be clear about the ownership of intellectual property that is either conceived or reduced to practice at the university, particularly if federal funding is involved," says **Michael Martin**, CLP, president of TechTransfer Associates Inc. in Blacksburg, VA, and former executive vice president of technology licensing at Virginia Tech. "Many documents that you might not be aware of flow between the researcher and the federal fund-

ing agency. Often, TTOs just aren't copied, for example, on a notification of invention, which gives the federal government rights. So your IP policy needs to be clear about ownership."

In addition, "your policy should state that university personnel who leave your institution are required -- before the appointment terminates -- to disclose to the TTO all of the inventions that they have made while at your institution, whether or not those inventions have been reduced to practice," advises **Richard Cahoon**, president of BioProperty Strategy Group Inc. in Freeville, NY, and former director of technology transfer at Cornell University. "Full disclosure should be policy regardless of what department the departing faculty member is in."

- **Double-check your assignment documents.** "Make sure that the language of your assignment documents requires the inventor to assign to the university, and if an external third party handles the management of your IP, the assignment document must be clear between the university and that third party as to who retains rights for academic and research purposes, as well as recognizing the federal government's rights when pertinent," says Martin.

- **Coordinate with sponsored research staff.** "The sponsored research office usually is alert to faculty departures because faculty members have to have federal or other monies transferred to the new employer," points out **John Fraser**, CLP, RTTP, president of Burnside Development & Associates in Tallahassee, FL, and former executive director of the Office of Commercialization at Florida State University. "Sometimes the sponsored research office will let the TTO know that such a move is occurring, but often it just doesn't happen. So TTOs should work to establish a better communication flow."

That communication flow should extend to invention disclosures as well, says Martin. "If the researcher has federal funding, you should make certain that research management at the university is aware of the TTO's interest in any invention disclosures that go to the federal government."

- **Develop a relationship with human resources.** "Sometimes even when researchers have signed agreements that they're supposed to notify the TTO if they leave the university, they fail to do so," says Martin. "A good back-up is to let the human resources department know that you would like to be made aware of university faculty who make transitions, if that's possibly available."

- **Review your records.** When any faculty member departs, at a minimum TTOs should do a fast check to see if that researcher deserves further attention, says Stoughton. "Look at what you already know about them," she suggests. "See if there is any information or signatures that you might need from them while they are still relatively easy to access. For example, if you have any assignments that you haven't obtained for patent applications, that would be crucial to try to get. But generally determine the lay of the land, including where you stand with invention disclosures, patents, and licenses."

That review will help TTOs decide whether they should try to meet with departing faculty, says Stoughton. "That decision would be based on such factors as the volume of IP involved, the newness of the IP (e.g., whether it's active or it has been sitting in the drawer for years), and the existing relationship you have with that faculty member -- just the expectations you have with that person. It's a fairly quick determination."

The exit interview

- **Do an exit interview with key faculty.** The exit interview essentially "is an inventory of what the researchers have done at the current institution, what they're going to continue to do here, and what will be happening at the new institution," says Watson. "Then you identify any intellectual property issues that the two institutions need to be working on together."

The best-case scenario is an in-person interview with departing faculty members whom the TTO has targeted for in-depth review, says Stoughton. "Barring that, at least try to have a discussion by e-mail with them. That gives you the opportunity to obtain any of the remaining items that you identified by reviewing your portfolio about the researcher."

Key points to cover in an exit interview include:

- *Undisclosed inventions.* "TTOs should determine whether the inventor has any inventions at that time for which they have not yet submitted an invention disclosure," says Stoughton. "The idea is to be able to draw a really fine distinction between what IP existed before that transition date and what IP might exist at some future date. It is possible that researchers have invented something under their research at your institution that they haven't yet told you about. This is a great opportunity to ask

them about that -- and encourage or request that they give you the formal invention disclosure to help draw that line in the sand."

For example, at NC State, "we will look at the grants that researchers had active, as well as any funding from industry they had, and make sure that any inventions resulting from those have been properly reported to our office," says Sexton. "We make sure that we get all of the invention disclosures to solidify where they were

as of when they left NC State."

-- *Specific dates.* "While TTOs shouldn't manage every interaction as if a lawsuit is pending, they should attempt to get as many dates as possible during the exit interview," says Cahoon. "TTOs will have a record of the date an invention was disclosed, but you still should ask for specifics, such as: 'What date did you make that invention? What date did you reduce that invention to practice?' You should keep very good notes of inventions made

Incoming faculty: Don't ignore a researcher's past

The 2002 *Madey v. Duke* Federal Circuit Court case drove home the need for TTOs to carefully manage intellectual property for incoming faculty as well as departing faculty, says **Michael Martin**, CLP, president of TechTransfer Associates Inc. in Blacksburg, VA, and former executive vice president of technology licensing at Virginia Tech.

Duke University was sued in the case for patent infringement, based on its continuing research using a patented technology owned by a prominent scientist who had left the school. "In this case, Duke assumed it had the right to experimental use [after the departure of a renowned researcher], but couldn't demonstrate to the satisfaction of the court that it met the exception for experimental use -- and lost. The case showed that universities are exposed in both ways, when researchers come to the university and when they leave."

One problem that occurs more frequently than the threat of lawsuits is lost opportunities, points out **Becky Stoughton**, MBA, CLP, vice president of Fuentek LLC in Apex, NC. "For example, I once saw a case where there was some potentially very valuable technology from a researcher who had transferred to the institution, but there were some related IP and issues that hadn't been captured and managed. The situation probably could have been handled from the beginning in a way that would have allowed this marketing opportunity to be pursued, but the case had to be shut down because it wasn't worth the tremendous time needed to unravel things. There were too many risks introduced by virtue of not having gone through the appropriate processes."

Here are key steps to take with incoming faculty:

- **Address previous work in university policy.**

Since TTOs largely rely upon an honor system, it's important to have a clear policy, says **Richard Cahoon**, president of BioProperty Strategy Group Inc. in Freeville, NY, and former director of technology transfer at Cornell University. "Incoming faculty who submit an invention disclosure should be required, per university policy, to also disclose whether or not they worked on that invention at a previous institution," he says. "That should be disclosed to the TTO at the new institution so that you can get in touch with the departed university's TTO."

- **Have an outreach program for visiting faculty.**

"When I was at FSU, sometimes faculty who were consider-

ing an offer to come to the university would meet with me," notes **John Fraser**, CLP, RTTP, president of Burnside Development & Associates in Tallahassee, FL, and former executive director of the Office of Commercialization at Florida State University. "It was part of their due diligence of getting to know people. When researchers have a company or licenses in place that they don't want to be disrupted by the move to a new institution or they are really interested in launching a start-up, they often want to know that they can deal with TTO staff. So meeting with them can help your relationship start on the right footing and limit surprises about who owns what down the road."

- **Participate in new faculty orientation.** "At the start of the fall semester, many universities have new faculty orientations," says Fraser. "That can be a good marketing tool for tech transfer, allowing you to let incoming faculty know whom to deal with at the TTO."

TTOs also should advise new hires that, "if they are bringing new technology with them, they should let the TTO know so you can get a license to use," says Martin. "In addition, share with the college deans and the chairs of the departments the message that researchers shouldn't presume that they have the right to use that technology."

- **Look for overlap on invention disclosures.** "When a researcher comes to your university from another institution, TTOs shouldn't ignore the fact that they have a previous history with their other employer," says **Kelly Sexton**, PhD, director of the Office of Technology Transfer at North Carolina State University in Raleigh. "If the researcher makes an invention disclosure six months to a year after arriving, you want to make sure that it doesn't overlap with IP that they developed or conceived of while they were at the previous institution. I'd rather err on the side of the reaching out to the previous university's TTO and working with them to make sure that ownership and provenance are cleared up."

- **Contact the other TTO.** "Whether you are the departing institution or the receiving institution, the best practice is to contact the other university with a simple introduction about an active inventor," says **Julie Watson**, JD, CLP, special counsel for Marshall, Gerstein & Borun LLP in Chicago. "Tell them, 'This is the inventor's research that we think will continue, and let's keep in touch about related inventions that are made later and how it may be advantageous to license them as a package.'" ►

and relevant dates, as well as the date the appointment terminates.”

-- *Ongoing academic connections with your institution.* Increasingly, departing faculty members will maintain for a period of time some type of adjunct status with the institution they are leaving, points out Watson. “For example, if the original institution has a specialized resource that faculty members need to complete their grant, they may work with some graduate students there who aren’t going to move. TTOs should be aware of those continual connections.”

-- *Your university’s policies.* “TTOs should remind inventors of the policies of the institution that they are departing and make sure they understand all the nuances of what is happening,” says Watson. “For example, it is particularly confusing for the inventors to realize that, when they change institutions, their continued work is owned by another entity, so there needs to be a separate relationship with the second institution.”

TTOs should “make clear to faculty that if they made an invention at your institution and subsequently reduce it to practice at the new institution, they should disclose that invention not only to the new institution but to your university as well,” explains Cahoon.

-- *Potential red flags.* “The exit interview is a good place to look for potential red flags, such as whether the researcher has discussed plans to transfer any research grants with the research office,” says Stoughton. “Hopefully, TTOs already would have coordinated with whoever manages sponsored research for their institution, but the exit interview can provide good backup to ensure everyone who needs to know about this move has received adequate notification.”

-- *Contact information.* TTOs also should ask for the departing faculty member’s new contact information, says Stoughton. “Letting them know that you would like to stay in touch and that you have an expectation of doing that will help grease the skids for any issues that might arise in the future. For instance, you may need them to respond to office actions on pending patents that you still have outstanding. Another reason, which is often more incentivizing to them, is that you might need to get in touch for royalty distributions.”

In addition, TTOs should remind departing faculty to keep contact information for TTO staff handy, suggests Watson. “In general, inventors are surprised to learn that universities work together

quite a bit. Let inventors know that when they invent something at the new institution based on ongoing work, they should give your name as their case manager at this institution so the receiving TTO can call you and coordinate with you.”

Work with researcher’s new TTO

• **Contact the new university’s TTO.** “TTOs should call the tech transfer office at the university where the faculty member is going and establish a relationship, particularly if the inventor is a heavy hitter,” says Sexton. It’s also of critical importance when “there is background technology involved that, for example, can be part of an industrial research consortium,” adds Martin.

“You want to introduce yourself and establish a basic relationship with the other TTO,” agrees Stoughton. “You should also put them on notice that you’ve done an exit interview and have a firm grasp of what the situation is as of the date of departure. That way, if anything potentially questionable comes up in the future, they will be more likely to remember you’re there.”

It can also be helpful to give the receiving TTO “a little background on the principal investigator,” advises Sexton. “If they are great to work with, it is incredibly easy. If perhaps the PI doesn’t always dot the I’s and cross the T’s for invention disclosures, it can be good to have a conversation about that. Then if the receiving TTO sees an invention disclosure come in three months after the PI arrives, they will have our contact information, and they’re more likely to say, ‘NC State may have an ownership position in this. We should call them into this discussion and make sure we work that out.’”

• **Document what you learn.** “Not only do researchers have a revolving door, so do TTOs,” says Stoughton. “So make sure that you document what you learn from the portfolio review, the exit interview, and the phone call with the receiving TTO. It’s prudent to write down what you learned and what was agreed on so that the TTO staff who might be managing those relationships for your university in the future will have that documentation as a resource.”

Sharing key documentation with the receiving TTO also can be helpful, says Fraser. “Ensuring that both your TTO and the receiving TTO have information about the current status of research and IP at the time of departure can help the offices work

together and reduce potential conflict.”

The goal of sharing documentation is to lay the groundwork for dealing with any future developments, adds Martin. “For example, if an invention has been disclosed and you’ve elected to let it lie fallow instead of pursuing a patent and it hasn’t yet been publicized, at a minimum you would advise the departing inventor that you have the disclosure on record during the exit interview and carbon-copy the TTO at the receiving university, alerting them that, if they want to pursue that invention, they will need to work with you to make that happen.”

• **Don’t be the IP police, but don’t ignore faculty failure to act.** “The IP policy is a very specialized policy, but at the end of the day, compliance with it is an employment issue,” says Fraser. “Most employee letters signed by faculty members have clauses that state they will abide by all relevant policies, which includes the IP policy. That said, it’s largely voluntary on the faculty member’s part. It is up to the researcher to decide to be engaged with the TTO. You’re not there to police employment agreements.”

However, TTOs shouldn’t ignore a situation once they become aware of it, he stresses. “Get it on

On the dotted line: Start-up license and research contract tips

To avoid potential miscues when faculty members depart for another university, TTOs should consider taking the following steps with start-up licenses and research contracts:

• **Double-check license agreements.** “If you are licensing technology to an inventor start-up, put the necessary codicils or necessary paragraphs in place that require the inventor (1) to inform you of relocation; (2) to keep you apprised of developments; and (3) if it’s exclusive, to maintain some form of minimum payment so that you have the opportunity to gain access to the technology if the technology just sits on the shelf,” says **Michael Martin**, CLP, president of TechTransfer Associates Inc. in Blacksburg, VA, and former executive vice president of technology licensing at Virginia Tech. “The license agreement also should retain the university’s rights for academic and research use.”

• **Do regular follow-up with licensees and start-ups.** “Per the license agreement, you always look for quarterly progress reports and then quarterly royalty reports, but you shouldn’t rely on those alone to maintain contact,” says Martin. “As the technology grows into a manufactured, marketed product with sales, suddenly you may have five people you’ve never met involved in your license agreement, and they are interpreting the license agreement as they understand it. So you should try to follow up once every year or two outside of the quarterly reporting process. The same with start-ups -- do the networking to keep aware of what’s going on. This will help you be in a better position to maintain communication if the faculty member involved with this technology goes to another university.”

• **Avoid licensing improvements.** “Although a number of industrial firms want to do it, licensing improvements is fraught with difficulty,” says Martin. “The issue is that you don’t know who the sponsor of the improvement will be, and that sponsor may have rights. So the best option is to stress to the licensee that access to any background technology that they need is included in the license, enabling the IP that they are licensing so it can be used.”

“One of the generally accepted principles of academic licensing is to avoid licensing improvements,” agrees **Julie**

Watson, JD, CLP, special counsel for Marshall, Gerstein & Borun LLP in Chicago. “Hopefully TTOs don’t do that often. However, if you are in a situation where you have licensed improvements, the license is with the original institution and not the new university, which is a different legal entity. Consequently, when the same researcher goes to a different school, later inventions are not within the scope of the license. So improvements are probably more of an issue for the licensee than the university licensor.”

One point to keep in mind: If improvements are licensed, the TTO is responsible for tracking the sponsored research proposals and funding that this inventor receives, adds Martin. “That requires liaison with your research administration. Too often, there is an assumption of communication because the TTO is in the same office as the vice president or vice provost for research. That doesn’t work. You need a formal communication mechanism so that if this inventor seeks funding, you are aware if any rights are given to a technology that has already been licensed. And if that faculty member relocates, that’s another reason why you make a courtesy call to the new institution’s TTO.”

• **Rethink Bayh-Dole language in industry contracts.**

“Many industry agreements are written allocating invention rights using the same language as the Bayh-Dole Act, which says that subject inventions are intellectual property that is either conceived or first actually reduced to practice with federal money,” says Watson. “That is the standard verbiage in the federal government, so everyone started repeating it. However, in general the ‘conceived or first reduced to practice’ language should be avoided in contracts because, as a legal matter, the definition of invention happens with the conception. In your industry agreements, you want to have rights and restrictions attaching to the conception and then stopping there.”

The goal is “to have a really clear line of when the sponsor has rights to an invention,” says Watson. “You don’t want two separate points in time where it could happen. In the case of a faculty member changing institutions, you could end up with two separate entities that have rights if you don’t have that clear line.” ►

the table and try to sort it out. Issues of intellectual property are becoming increasingly contentious because people perceive increased value in the data they've collected over the years. So address it head on and deal with it."

- **Target joint ownership for gray areas.** "The basic rule is this: When university personnel who have a research appointment create an innovation and reduce it to practice while still employed by the university, the university owns that invention per most university policies," says Cahoon. "When those researchers stop being personnel of the university they're departing from and become personnel of the new university, any new inventions are owned by the new university where they land."

However, there are some gray areas, he points out. "For example, the lines might not always be clear when an invention is made at one institution and reduced to practice at another."

When TTOs have a gray area "where it is difficult to determine whether the faculty made the invention in your institution and reduced to practice at the new institution, the best practice is to agree that the invention is owned jointly between the two institutions," suggests Cahoon. "Then the two TTOs can agree in some form to manage that jointly owned intellectual property."

- **Beware of blanket agreements.** Sometimes

TTOs set up agreements where both universities retain the across-the-board rights to a technology for research and academic purposes. "However, it's important to codify that relationship so the new university has an obligation to report," says Martin. "Otherwise, the new university might assume that it has the right to use new invention results. Of course, the new university can give the license for the new invention, but it can't give the rights for the enabling background technology. Having that obligation to report will ensure you're kept in the communication flow."

- **Establish relationships before inventors leave.** "If you have a good relationship with your PI, everything tends to go more smoothly," says Sexton. "I have inventors who are at other universities and I can still call and talk to them if an issue comes up with a license that we have because I am still representing their interests as an inventor on that IP. So those good relationships help to make everything smoother."

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