

## **Anticipated Consequences: How Effective Processes Avoid Patent Ownership Disputes**

Universities benefit when they commercialize innovation and protect patent rights. However, valuable patents can be jeopardized by unexpected business arrangements, institutional delays, and administrative assumptions. Fortunately, universities can reduce these risks by recognizing potential pitfalls before they arise. This article illustrates three scenarios involving actual or potential patent ownership disputes, highlighting several key lessons about outside agreements, underappreciated inventors, and evolving collaborations.

### **Competing Contracts – Outside Agreements**

A university hired a researcher (Dr. Holodniy) to conduct HIV research under an industry collaboration with a biotech company. Holodniy did assign future inventions to the university, under a standard employment agreement. However, the university was unaware that Holodniy later signed a separate agreement – called a visitor’s agreement – required for access to the biotech company’s facility where some of the research was being conducted. Problematically, the visitor’s agreement also assigned Holodniy’s patent rights to the biotech company.

The research produced significant advances in HIV treatment. Consequently, the USPTO granted patents to the university, naming Holodniy and two tenured professors as inventors. However, twelve years later the court found that the visitor’s agreement signed by Holodniy was superior to the ownership clause in his university employment agreement. The ruling granted co-ownership of the patents to the biotech company, preventing the university from suing an alleged infringer of lucrative patents on HIV diagnostic tests. The lesson is clear: researchers must realize the significance of signing any outside agreement, so that universities can ensure they are reviewed in advance.

### **Blind Spot – The Underappreciated Inventor**

A second scenario also involved a contract researcher (Dr. Falana) assisting in university research. Although hired mainly to perform testing on liquid crystal display technology, Falana in fact contributed an innovative method for creating these chemicals. After his contract expired, Falana went to work elsewhere. Subsequently, full-time researchers at the university continued the work, using Falana's innovative method. It appears that because Falana was hired to test others' work, university administrators did not expect that he would invent something himself. Thus, he had never been asked to assign patents resulting from his work, and he was omitted from the patent.

Years later, upon learning about the patent, Falana sued the university to be named a co-inventor – and won. Like the first scenario, a co-owner outside of the university would share the patent rights. The lesson here is to avoid assumptions about who might contribute to a patentable invention. It is a risky mindset to think, “this probably will not amount to any new inventions, so why spend the effort getting agreements.”

### **The Shift – Evolving Collaborations**

A tenured university researcher (Dr. Bright) developed solar energy materials and new solar chemical formulations. Bright met a technology representative from a solar energy company, and they discussed mutual interests in commercializing the new technology. The initial discussion contemplated a Sponsored Research Agreement. However, the company instead introduced someone else into the talks, a principal investigator from a larger university with a long-standing federal grant, who could offer state-of-the-art testing and analysis.

The principal investigator suggested sharing the proprietary materials and formulations among the group and working toward optimization. For added value, the company representative touted past successes involving scalability and distribution channels. Fortunately, though, Bright astutely sensed that the discussion had shifted from sponsored research toward a collaborative R&D arrangement. Bright contacted the university's technology office, who insisted on creating an agreement addressing patent ownership involving future improvements. The lesson here is to establish agreement on the main points before undertaking collaborations.

### **The Principles**

The first two scenarios involved rulings by courts that determined who owns the patent. *Stanford University v. Roche Molecular Systems, Inc.*, 563 U.S. 776; *Falana v. Kent State University*, 669 F.3d 1349. The third is a hypothetical scenario we use in patent policy training. These scenarios highlight some important principles in connection with university research.

First, a system to inform university technology management about outside contracts can avoid the kind of patent ownership dispute we saw in the first scenario with the visitor's agreement. Tools that build relational currency – such as questionnaires, email updates, and short case studies – establish institutional trust and alignment.

Second, leaders should expand their view about situations where innovation might occur. The researcher in the second scenario was hired only for testing. Even so, anticipating that someone in a testing role might still invent improved materials should have prompted the university to secure a patent assignment at the outset.

Third, it is important to confirm both present and future patent ownership among partners. As the third scenario demonstrates, working with a third party to optimize an invention can muddy the waters of patent ownership. Clear agreements avoid problems later.

While the three scenarios and the principles are expressed in the context of universities, they are also relevant to other organizations, for a common thread exists: when it comes to commercializing innovation, process matters as much as progress. Applying internal guardrails proactively can help avoid legal uncertainty later.

Stephen Hall, Bricker Graydon Wyatt  
Registered Patent Attorney  
Intellectual Property Practice Group Leader