Guidebook of IP/Technology Transfer

Track 3
Advanced-Level
Technology Transfer

Topic 3.12.1

What is Tangible/Personal property?

Why is it important to the TTO?

Tangible/Personal Property and the TTO

- Tangible things are important or essential components of many inventions, particularly in the life sciences:

  cell lines, plants, animals, microbial cultures, tissues, eggs, sperm, organs, biomolecules, genetic structures, DNA

- These tangible things have technical value, and with proper attention, have added value as a property asset
- With proper attention to tangible property ("personal property) rules of law, and procedures the TTO can create significant technological and financial value from the tangible asset
- This requires a supportive Tangible Property Policy, and
- Cooperation by inventors

Tangible/Personal Property and the TTO

- All tangible things are subject to the same property rules
- Tangible things are defined by law as “personal property”
- Under most legal regimes, possession is the initial indicator of ownership of personal property

→a possessor is presumed to be the owner

Unless…….

Tangible/Personal Property and the TTO

- With tangible things/personal property, possession is the initial indicator of ownership

  unless……

- The owner has granted the possessor the right to possess

  (this is a “bailment” contract)

  in a written, verbal, or implied form

  OR

- The possessor holds stolen property

What is a Bailment?

A legal contract between an owner of

tangible/personal property and another

party…..

which allows….

…..transfer of the **right to possess**…

…..with **no transfer of ownership**

The contract can be written or implied

In widespread use in society and commerce

A Bailment

is the transfer……

of ***the right of possession***

to tangible property

by the owner (“bailor”)

to a recipient (“bailee”)

with ***no transfer of ownership***

Bailments in life science R&D

- Breeders exchanging crop lines
- Providing a cell line to a colleague
- Conducting a necropsy on a valuable animal
- Providing a cloned gene to another laboratory for research-only purposes
- Conducting field trials on a contract basis

Tangible/Personal Property and the TTO

- Owners of tangible property can use these property rules to maintain ownership/control of their materials
- This is important for a TTO when an invention includes tangible material
- The TTO, inventors, and institution can assert ownership and control over the tangible materials during the process of patenting, tech marketing, and allowing potential licensees to test/evaluate.
- Sometimes, the tangible material is the most valuable part of an invention – much more valuable than a patent
- For inventions that include tangible property as part of the invention, the TTO must assert the bailment rules of ownership and control

Tangible/Personal Property and the TTO

- For inventions that have potentially valuable tangible property as the invention (or part of the invention), the TTO can maximize ownership and control by asserting ownership rights and bailment procedures and contracts (i.e., MTAs)
- All tangible research materials at the institution are the property of the institution,
  - except those tangible materials that are the property of another
- In order to create and maintain ownership control of tangible materials, certain rules must be followed

Tangible/Personal Property and the TTO

Rules for creating and maintaining ownership of tangible/personal property in research materials

- All materials brought into the institution must have a bailment (i.e., a Material Transfer Agreement) from the rightful owner
- All materials in possession of the institution which do not have a bailment (MTA) from a rightful owner, are the property of the institution
- No materials of the institution can be transferred to another party without a signed MTA

Elements of a Standard MTA

The Parties defined

Precise definition of the “Material”

Definition of the allowed scope of use by the recipient (Bailee)

testing, inventing, commercial use, other

Prohibition of physical transfer to third parties

Defined disposition of Material at termination

Define ownership of “derivatives” of Material

progeny, modifications

No warranties, no implied rights, no business relationship or license granted

Bioproperty* and the MTA

MTA = Material Transfer Agreement

- A written bailment in which the owner of tangible material transfers right of possession to a recipient, but not ownership
- Typically used when materials shared for research use
- MTAs typically prohibit transfer of materials by recipient to a 3rd party
- MTAs sometimes restrict commercial use

(that may include inventing/patenting)

*"bioproperty" = biological personal property

Bioproperty and the MTA

MTA = Material Transfer Agreements

- Almost never allow commercial sale
- May be terminated by owner at any time, if term not expressly described…. or
- Terminated at the end of the defined term
- Disposition of the materials defined in the MTA

  destroy, or return
- Often a necessary precursor to an eventual license agreement
- MTAs should accompany any transfers of bioproperty into/out of a research institution or company

Bioproperty Management by an Individual

- Keep good records of your property
- Label your property appropriately
- Take proper steps to restrict access to property by others
- Actively protect against “pirates”
- ALWAYS require a signed bailment (MTA) prior to providing physical possession; keep a record of the bailment
- Require an MTA to bring any bioproperty into the lab

Bioproperty Management by an Organization:

Interaction with third parties

- Keep good records of all biomaterials
- Allow physical possession by others only with a written bailment (Material Transfer Agreement)
- Who owns inventions made using the bioproperty?

  the **“but for”** clause
- Who owns (and/or has rights in) clonal progeny?
- Who owns (and/or has rights in) derivatives?

Bioproperty Licensing

- Requires tight control of possession & use prior to licensing
- Some bioproperty cannot feasibly be licensed

  (if it is the item of commerce, it will become public domain)
- Works well when the bioproperty is used in manufacture of a product
- When appropriate, bundle the bioproperty and IP in the license grant and royalty provisions:

  tiered royalty on use of bioproperty & IP

  bioproperty-use royalty after IP expiration

Bioproperty Licensing

- Determine if bioproperty is part of the technology
- If so, bundle it with the IP in the license agreement
- Make sure you are the clear owner
- Be sure it has not been made publically available through actions of your researcher
- Consider the value of the bioproperty to the licensee and factor that into the negotiation
- Include a bailment-type clause in the license agreement that extends your ownership/control

Tangible/Personal Property and the TTO

What role should the TTO play?

- Advisor to administrative management of the institution
  - advocate for the implementation of a comprehensive tangible property policy
  - advise on the proper language of such a policy
- Consider being the implementer of MTAs of
  - materials transferred out of the institution
    - (this is relatively easy)
  - materials transferred into the institution
    - (this is often quite difficult, particularly negotiation with private sector owners of research materials)

Tangible/Personal Property and the TTO

What role should the TTO play?

- If the tangible materials are related to an invention managed by the TTO, the TTO must take a proactive management role
- The TTO should facilitate academic MTAs, without unnecessary conditions or terms
- Avoid the temptation to assert control over inventions made using the institution's tangible material (this places a proprietary chill on academic freedom)
- However, it is reasonable to place some conditions on the use of valuable tangible material

Tangible/Personal Property and the TTO

Placing conditions on valuable tangible material in an MTA

- It is inappropriate to prohibit inventing with the material
- Recipients of the material should be free to invent new and patentable inventions using the material
- Recipients should also be allowed to file for patents on inventions using the material
- However, it is reasonable to require that a revenue sharing agreement be enacted prior to any commercialization of an invention made using the tangible material
- Institutional owners of tangible material that is transferred to other parties should enact the “but for” condition for requiring a negotiated agreement prior to commercialization

Tangible/Personal Property and the TTO

The "but for" condition in an MTA of valuable tangible material

- The recipient of the tangible material is free to use the material to invent new patentable subject matter
- However, any invention made by the recipient which could not have been made ***but for*** recipient's use of the owner's tangible material, may not be commercialized by the recipient/inventor without a negotiated revenue sharing agreement

Tangible/Personal Property and the TTO

The TTO Director/Manager should:

- Make sure all TTPs are knowledgeable about proper management of tangible/personal property related to inventions
- Be prepared to intervene in MTA issues (incoming or outgoing transfers) that are difficult/problematic
- Facilitate the institutional development of efficient MTA systems for outgoing materials, particularly to academic recipients
- Provide educational outreach to faculty/staff/students about tangible property basics, management, issues

Tangible/Personal Property and the TTO

The TTO Director/Manager should:

- Develop a license agreement template that incorporates the license of tangible materials along with other IP

  (e.g., patents, trade secrets, trademarks)

- Be sure to take extra care of tangible materials that are part of a license agreement

  make sure inventor knows how to handle possession,

  and transfers

Remember: tangible materials can have significant commercialization value….. but only…

if ownership and control is carefully maintained

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Thank you