

InnovationMatters

Consulting Editor: Terry A. Young

TABLE OF CONTENTS

June 15, Volume 1 Issue 2

THE NEWSLETTER / WHO WE ARE

p 1

INTERNATIONAL NEWS

p 2

Critical, timely information from sources around the globe

New "Intellectual Property Association of Japan" (IPAJ)
European Innovation Scoreboard 2002
New "Intellectual Property Managers Association of India" (IPMAI)
CRDF Announces Support for Technology Transfer Offices at Russian Universities
New IPR Regulation for National Research Projects in China
Latin American Research Networking Infrastructure Funded by EC
Venture Capital Investments in Canada for 2002
WIPO Forum on Intellectual Property and SMEs
"Digital Freedom Initiative" Promotes Economic Growth in Developing Nations
New Members of the European Patent Organization (EPO)

U.S. NEWS

p 5

Important news from US sources

Déjà vu: Sovereign Immunity v. Intellectual Property for State Universities
Solicitor General Recommends Against Supreme Court Review *Maday v. Duke University*
Universities Inconsistent in Enforcement of IP Law, suggests House Subcommittee Chair
GAO Issues Report on NIH-Private Sector Partnership in Development of Taxol
U.S. Government Replaces Standard Industrial Classification (SIC) System
U.S. Files WTO Case Accusing EU of Illegal Moratorium on GMO Foods
The U.S. Army Launches Energy Venture Capital Fund
USPTO's Annual List of "Top Ten" Universities Receiving Most U.S. Patents in 2002
New NSF Grant Proposal Guide
U.S. Patent and Trademark Office Requests Comments on "Unity of Invention" Standard

RESOURCES

p 8

Valuable reports, studies and surveys from international sources

Turning Science into Business: Patenting and Licensing at Public Research Organisations
NEWVENTURETOOLS.NET: Tools to Help the Development of Innovative Firms
Devising a Smart IP Strategy - ITL Corporation Pty. Limited
NIH Resource Website on "Conflicts of Interest"
Entrepreneurship and Local Economic Development
Intellectual Property and Legal Expense Insurance
The Influence of R&D Expenditures on New Firm Formation and Economic Growth
Innovative State Policy Options to Promote Rural Economic Development
Does Venture Capital Investment Spur Employment Growth?
A Blueprint for Prosperity and Jobs

BEST PRACTICES

p 10

Feature:
Management of Secrecy and Evaluation Assessment in License Negotiations



EVENTS

p 14

International events, conferences and seminars

NEW 11 New Events Added!

InnovationMatters

Consulting Editor: **Terry A. Young**

THE NEWSLETTER

InnovationMatters is a twice-monthly electronic newsletter designed for managers of innovation and technology transfer around the world, as well as the attorneys and other service firms that support the innovation industry.

InnovationMatters identifies, selects and reports relevant and current news, resources and events in innovation management, and includes one or more original papers describing best practices.

WHO WE ARE

Technology Innovation Group, Inc. (TIG) is a group of internationally recognized experts that assists individuals, institutions, companies and communities to convert technology to wealth. TIG also creates and builds community and regional wealth through entrepreneurship, incubation, technology-based economic development and technology commercialization.

www.techingroup.com



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New “Intellectual Property Association of Japan” (IPAJ)

The Intellectual Property Association of Japan (IPAJ) was formed and organized in October 2002. According to Dr. Koichi Sumikura, Associate Professor, National Graduate Institute for Policy Studies (GRIPS) and one of the board members of IPAJ, the goal of this association is to enhance academic research and education of intellectual property rights (IPR) and IPR - related business in interdisciplinary cooperation of scientists, economists and IPR attorneys. The first IPAJ Annual Meeting was held on May 24-25 with more than 50 academic presentations on innovation, entrepreneurship and IPR and about 800 participants. The IPAJ website (<http://www.ipaj.org/>) currently is available only in the Japanese language; publication of a scholarly journal is in preparation. For additional information, contact the IPAJ office at ipaj@acteb.gr.jp.



European Innovation Scoreboard 2002

The European Innovation Scoreboard (EIS) tracks the progress of the European Union (EU) in its goal to become the most competitive knowledge-based economy in the world within the decade. The EIS focuses upon 17 measures of innovation, divided into four groups: (i) human resources for innovation; (ii) the creation of new knowledge; (iii) the application of new knowledge; and (iv) innovation financing and markets. While the 2002 EIS indicates significant progress and positive trends in Europe, the EU still lags behind its main global competitors on all measures for which comparable data are available. <http://trendchart.cordis.lu/Scoreboard2002/index.html>



New “Intellectual Property Managers Association of India” (IPMAI)

The Council of Scientific and Industrial Research (CSIR) India announced the formation of the new “Intellectual Property Managers Association

of India” (IPMAI) on April 26. The event simultaneously was marked with a training course, on “Negotiating, Contracting and Valorization of IP” attended by representatives from 38 National Laboratories. The new organization invites membership from universities and other research institutes, as well as National Laboratories. Additionally, IPMAI seeks mutually beneficial collaborative programs from similar organizations in other countries. For further information on the Intellectual Property Managers Association of India, contact R.K. Gupta, Head, Intellectual Property Management Division, CSIR, New Delhi at guptark04@yahoo.com



CRDF Announces Support for Technology Transfer Offices at Russian Universities

In March 2003, the U.S. Civilian Research and Development Foundation, Inc., (CRDF) a nonprofit organization based in Arlington, Virginia, announced the results of a competition launched in December 2002 to select Russian universities for support of technology transfer offices (TTOs) through the Basic Research and Higher Education (BRHE) program, a bilateral program of the CRDF and the Russian Ministry of Education. Four universities were selected: (i) St. Petersburg State University, (ii) Tomsk State University, (iii) Ural State University/Ural State Technical University (joint award) and (iv) Nizhniy Novgorod University. The CRDF will provide \$300,000 in direct funding and the Russian Ministry of Education will contribute \$150,000 overall to complete the establishment of the TTOs by 2005. The CRDF plans additional support for training programs for TTO staff and seminars on technology commercialization. US-side funding for BRHE is provided to the CRDF by the John D. and Catherine T. MacArthur Foundation and Carnegie Corporation of New York. For additional information see: <http://www.crdf.org/E-Update/March2003/universities.htm>



New IPR Regulation for National Research Projects in China

On May 12th, the Ministry of Science and Technology of the Peoples' Republic of China released a new regulation entitled, "The Regulation of Enhancing Intellectual Property Protection on National Scientific Programmes," requiring that research institutes have in place systems for management of intellectual property rights (IPR) to undertake nationally important scientific projects. IPR management system requirements include special departments, staff and funds for IPR protection. The regulation requires institutes to conduct international patent searches before undertaking new research projects, and to stop or readjust research plans if their targeted projects are claimed by any domestic or foreign patent. Government subsidies will be made available to secure patent protection in international markets. Finally, individual researchers must take a course on IPR before beginning any new research project. See: <http://www1.chinadaily.com.cn/cndy/2003-05-12/114700.html>



Latin American Research Networking Infrastructure Funded by EC

On June 6th, the European Commission (EC) announced funding of € 12.5 million to create a Latin American research networking infrastructure and its interconnection to the pan-European research network. Called ALICE (America Latina Interconectada Con Europa), the initiative will accelerate the development of the information society in Latin America, providing advanced data communications infrastructure for collaborative international research projects. Erkki Liikanen, European Commissioner for Enterprise and the Information Society said: "For the first time, Latin American countries will have the high-speed Internet connections necessary for effective research collaboration amongst themselves, as well as high speed connectivity to researchers based in Europe." ALICE is expected to be operational by 2004 and will last until

2006, when the Latin American Cooperation of Advanced Networks, CLARA, will maintain the network. Twenty percent of the project cost is contributed by eighteen participating Latin American countries. http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/811|0|RAPID&lg=EN



Venture Capital Investments in Canada for 2002

Last issue, we reported on the decline in venture capital (VC) investments in the United States. Similar results have been recorded in Canada, with VC disbursements down in all sectors of the economy, from \$3.8 billion in 2001 to \$2.5 billion in 677 companies in 2002. For a third year in a row, communications and IT networking received the most investments in Canada. A complete summary of venture capital activity in Canada for 2002 can be found at <http://www.canadavc.com/info.aspx?page=stats&file=2002Overview.htm>



WIPO Forum on Intellectual Property and SMEs

The first "Forum on Intellectual Property and Small and Medium-sized Enterprises (SMEs) for Intellectual Property Offices of the OECD," held in Geneva from May 20-23, enabled participants from 15 OECD countries to share policies, practices and experiences. The Forum focused upon 8 themes, such as outreach programs for universities, incubators, entrepreneurs and SMEs, e-learning programs on intellectual property, and international benchmarking and evaluation of services. Copies of all presentations delivered at the Forum are available (English only) at: http://www.wipo.int/sme/en/activities/meetings/oecd_03/index.htm



“Digital Freedom Initiative” Promotes Economic Growth in Developing Nations

On March 4, the U.S. Department of Commerce launched the “Digital Freedom Initiative” (DFI) to promote economic growth in the developing world by

The DFI will be piloted in Senegal. If successful, the DFI will be rolled out to twenty additional countries over the next five years.

transferring the benefits of information and communication technology (ICT) to entrepreneurs and small businesses. Key elements of the initiative for developing nations include:

- Placing volunteers in small businesses to share business knowledge and technology expertise;
- Promoting pro-growth regulatory and legal structures to enhance business competitiveness; and
- Applying existing technology and communications infrastructure to help entrepreneurs and small businesses better compete regionally and globally.

The DFI will be piloted in Senegal. More than 100 volunteers will assist small businesses in achieving their ICT needs, as well as enhance the services of 200 cyber cafés and 10,000 telecenters in Senegal. Additionally, the DFI will provide assistance to the 130 Peace Corps Volunteers in Senegal who require laptops and other technology to perform their service duties. If successful, the DFI will be rolled out to twenty additional countries over the next five years. <http://www.dfi.gov/>

New Members of the European Patent Organization (EPO)

Slovenia, Romania and Hungary became contracting states to the European Patent Office (EPO) earlier this year. The EPO now has 26 member states comprising all of the European Union states plus Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Liechtenstein, Monaco, Romania, Slovakia, Slovenia, Switzerland and Turkey. The expansion will be completed next year when Latvia, Lithuania, and Poland join the EPO, an important step towards integration into the European Union. URLs for the patent offices in each EPO member country can be found at: <http://www.european-patent-office.org/epo/members.htm>

Déjà vu: Sovereign Immunity v. Intellectual Property for State Universities

On June 5, Rep. Lamar Smith (R, TX) and Rep. Howard Berman (D, CA) introduced HR 2344, the "Intellectual Property Protection Restoration Act of 2003," which reportedly proposes that states must waive their sovereign immunity in lawsuits for intellectual property infringement or lose the right to seek intellectual property protection under federal law. The law would prohibit those states (including their public universities) which refuse to waive sovereign immunity from seeking federal patent, trademark or copyright protection. The bill is similar to legislation introduced last session, but not enacted [at the time of publication, the text of HR 2344 had not been posted].

If enacted into law, HR 2344 could have a devastating impact upon universities in states that choose not to waive their sovereign immunity.

The House Judiciary Subcommittee on Courts, the Internet and Intellectual Property will hold hearings on the issue of copyright infringement by states on June 17th.

Pitting "sovereign immunity" against "federal intellectual property rights" arose when the U.S. Supreme Court confirmed that states could not be sued for intellectual property infringement under the sovereign immunity afforded the states under the Constitution. Yet, states could sue third parties for infringement of their intellectual property rights. Thus, the legislation last year sought to require states to waive their sovereign immunity in order to enjoy the benefits of federal intellectual property law.

While perceived as a "constitutional separation of powers" issue between the states and the federal government, public universities may be "caught in the middle." If enacted into law, HR 2344 could have a devastating impact upon universities in

states that choose not to waive their sovereign immunity. The inability of state universities to seek or enforce patents, copyrights or trademarks potentially could shut down their technology transfer programs. We will track the progress of this legislation over the coming weeks.

Solicitor General Recommends Against Supreme Court Review of Maday v. Duke University

Last issue, we reported on the case of Maday v. Duke University, wherein the U.S. Court of Appeals for the Federal Circuit eliminated the "experimental use exemption" from claims of patent infringement. Duke University requested the Supreme Court to hear the case, as did six associations and 25 universities in an *amicus* brief. Recently, the Supreme Court requested an opinion from the Office of the Solicitor General. On June 6th, the Solicitor General responded with a recommendation that the Supreme Court should not review the case, stating that concerns expressed by universities "may be better suited for legislative rather than judicial consideration." <http://www.usdoj.gov/osg/briefs/2002/2pet/6invt/2002-1007.pet.ami.inv.pdf>.

Universities Inconsistent in Enforcement of IP Law, suggests House Subcommittee Chair

In a prepared statement delivered at George Mason University on June 10th, Rep. Lamar Smith (R-TX), chair of the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property, suggested that university administrators were inconsistent in treatment of students' illegal internet peer-to-peer file sharing. Rep. Smith stated, "When encouraged to exercise disciplinary measures, too many university administrators react with relative indifference: kids will be kids, they say. Yet these same university administrators pursue research and development projects as champions of a strong patent law. It's a curious inconsistency." Rep. Smith's complete statement is available at: <http://lamarsmith.house.gov/news.asp?FormMode=Detail&ID=241>

GAO Issues Report on NIH-Private Sector Partnership in Development of Taxol

On June 6th, the General Accounting Office (GAO) delivered a report to Senator Ron Wyden (D-OR) addressing the "legal and financial issues involved in technology transfer as illustrated by the research, development and commercialization of Taxol." The GAO reported that the National Institutes of Health (NIH) spent \$484 million in research and development of Taxol, and had received \$35 million in royalties under a cooperative research and development agreement (CRADA) with Bristol-Myers Squibb. The company has recorded sales in excess of \$9 billion. GAO recognized many factors outside NIH's control affected the Taxol-related technology transfer activities, including the setting of the royalty rate in negotiation with Bristol-Myers Squibb.

However, concurrently with issuance of the GAO report, Senator Ron Wyden (D-OR) issued a prepared statement representing, "The report exposes serious dysfunction in the way the National Institutes of Health transfers health care cures to the people. The public and the Congress shouldn't stand for it one day longer." For the GAO report: <http://www.gao.gov/new.items/d03829.pdf>. For Senator Wyden's statement: http://wyden.senate.gov/media/speeches/2003/06062003_taxol_statement.html



U.S. Government Replaces Standard Industrial Classification (SIC) System

The federal government is replacing the 1987 Standard Industrial Classification (SIC) system in recognition of the nation's shift to a more service and technology oriented economy. The new data system for economic and industrial classification and analysis is called the "North American Industry Classification System" or "NAICS." To ease the transition to the new system, The Bureau of Labor Statistics has prepared previous SIC data (to 1990) within the NAICS framework. See: <http://www.bls.gov/ces/cesnaics.htm>

U.S. Files WTO Case Accusing EU of Illegal Moratorium on GMO Foods

On May 13th, the United States, Argentina, Canada and Egypt filed a World Trade Organization case accusing the European Union of an illegal moratorium on genetically modified foods. "The human costs of rejecting this agricultural technology without good reason are enormous," said U.S. Trade Representative Robert Zoellick. He added that the position of the European Union (EU) position was "...in complete violation of international trade rules, the European Commission's rules and Europe's own scientific analysis." In response, the EU issued a statement calling the lawsuit "unwarranted, economically unfounded and politically unhelpful." Egypt subsequently withdrew from the action. For the USDA press release and related documentation: <http://www.usda.gov/news/releases/2003/05/0156.htm>. For the EU response: http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/681|0|RAPID&lg=EN



The U.S. Army Launches Energy Venture Capital Fund

On May 7th, the U.S. Army announced the creation of a venture capital fund to be focused upon securing lighter efficient power sources for individual soldier systems (Press release at <http://www.dtic.mil/armylink/news/May2003/r20030507r-03-028.html>). Investment funds will be supplied from the Army's basic and applied research accounts and will be managed by OnPoint Technologies, Inc. (<http://www.onpoint.us/>). The Army's venture fund will be modeled after the CIA's venture fund In-Q-Tel, first capitalized in 1999 with an annual injection of \$30 million. According to the company's website, it has reviewed more than 3,200 business plans and made investments in 40 companies. See: <http://www.in-q-tel.com>



USPTO's Annual List of "Top Ten" Universities Receiving Most U.S. Patents in 2002

The United States Patent and Trademark Office (USPTO) announced the "Top Ten" university recipients of U.S. Patents in 2002. The University of California System ranked first for the ninth consecutive year. The Top Ten universities, with numbers of U.S. Patents received in 2002, are:

1. University of California System	431
2. Massachusetts Institute of Technology	135
3. California Institute of Technology	109
4. Stanford University	104
5. University of Texas System	93
6. Johns Hopkins University	81
6. University of Wisconsin	81
8. State University of New York	55
9. Pennsylvania State University	50
10. Michigan State University	49

<http://www.uspto.gov/web/offices/com/speeches/03-09.htm>



New NSF Grant Proposal Guide

The National Science Foundation (NSF) has issued a new Grant Proposal Guide, effective for all NSF proposals submitted on or after June 1, 2003. The new Guide supersedes all prior versions and can be found at: <http://www.nsf.gov/pubsys/ods/getpub.cfm?gpg>. Questions may be addressed to the NSF Policy Office, Division of Grants and Agreements at (703) 292-8243 or by e-mail to policy@nsf.gov



U.S. Patent and Trademark Office Requests Comments on "Unity of Invention" Standard

The U.S. Patent and Trademark Office is requesting public comment on "...a study of the changes needed to implement a Patent Cooperation Treaty (PCT) style Unity of Invention standard in the United States." The Unity of Invention standard is a component of many foreign patent laws and is used in international search and preliminary examination procedures by the PCT. A technically complex issue, adoption of the Unity of Invention standard would impact the current U.S. restriction practice in examining patent applications, in determining whether an application is directed to a single invention or multiple inventions. Comments are due no later than July 21, 2003. See the May 20th Federal Register at: <http://www.uspto.gov/web/offices/com/sol/notices/68fr27536.pdf>.



Click on the **blue title** to access each publication.

Turning Science into Business: Patenting and Licensing at Public Research Organisations

This milestone report from the Organization for Economic Cooperation and Development (OECD) presents the results of the first international survey of patenting and licensing activities of universities and other public research organisations in OECD countries. Data presented includes the number of patents and licenses, licensing revenue, descriptions of technology transfer offices, sample license agreements, case studies as well as information on government and institutional policies for ownership and commercializing of intellectual property. The book may be purchased from the OECD Bookstore or may be browsed/saved as a pdf file.



NEWVENTURETOOLS.NET: Tools to Help the Development of Innovative Firms

Developed by the European Commission and available in 5 languages, this site offers many useful on-line tools to assist innovative venture firms. Sections include Technology Assessment, Technology Audits, Financing Innovation, Marketing Innovation and much more. The site is the result of a collaborative effort of various European science parks, universities and technology transfer centers, and has been dubbed the "Virtual Technology Park."



Devising a Smart IP Strategy - ITL Corporation Pty. Limited

ITL Corporation Pty Limited of Australia opened for business in 1994, with 2 founders and no staff. Today, ITL designs, manufactures and sells medical devices in more than 30 countries, with a staff of 150 individuals. Its products are protected by more than 100 patents and 11 trademarks. This case study by the World Intellectual Property

Organization describes the critical role that intellectual property played in the company's growth and success.



NIH Resource Website on "Conflicts of Interest"

The U.S. National Institutes of Health (NIH) has established a valuable web site on "Conflicts of Interest." Produced by the NIH Office of Extramural Research, the site is a tremendous resource on individual and institutional conflicts of interest in research, providing links to policies and other related information.



Entrepreneurship and Local Economic Development

This major OECD publication (235 pages) examines the positive impact of enterprise creation and development upon local communities. The book sets forth specific policy recommendations to encourage entrepreneurship and new enterprises for local and national governments, centered upon three focus areas: strategic development, financial resources and innovative program designs.



Intellectual Property and Legal Expense Insurance

There is considerable interest in Europe on the topic of the use of insurance as a mechanism to assist in the enforcement of intellectual property rights, including two EU commissioned reports, one produced by the Danish Patent Office and the other by Trinity College Dublin. This new 68-page publication by IP Wales focuses specifically upon the phenomenon of insurance as a mechanism for supporting SMEs in legal disputes involving the enforcement or defense of their intellectual property rights.



The Influence of R&D Expenditures on New Firm Formation and Economic Growth

This study by the U.S. Small Business Administration compared university R&D expenditures with available census and economic data in the U.S. The most significant finding was that university R&D expenditures impact local economic growth primarily through new company formation. Furthermore, the study shows that the beneficial impact of these expenditures occurs far more quickly than previously assumed.



Innovative State Policy Options to Promote Rural Economic Development

Rural communities face more difficult challenges in their economic growth and development than do cities and suburban communities. This brief by the U.S. National Governors Association suggests three principles to overcome these challenges, leading to sustainable rural economic development: (i) adapt the urban-based cluster strategies to rural communities, linking businesses, universities, community colleges, technology and the regional workforce; (ii) promote entrepreneurs in commercial sectors other than agriculture; but, (iii) reinvigorate agriculture through crop diversification and value-added products. Case studies are provided to demonstrate implementation of these strategies in building rural economic growth, strategies which may have application globally.



Does Venture Capital Investment Spur Employment Growth?

Researchers in the Department of Economics at the University of Vienna test the hypothesis that access to venture capital is necessary for building competitive regional economies. Reviewing a data sample of 20 OECD member countries, 1986-1999, the authors conclude that "...a one unit increase in venture capital will increase

employment growth by 1.8 percentage points." Five recommendations are made to stimulate venture capital in Europe: (i) pension funds could invest a portion of their assets in risk capital; (ii) an efficient exit route for venture capitalists (such as NASDAQ) must be available; (iii) stronger patent rights will promote stronger risk capital markets; (iv) universities must embrace the idea of transferring innovation into new business ventures; and (v) national tax systems should provide incentives for innovation.



A Blueprint for Prosperity and Jobs

A study two years in the making, this impressive strategic plan for the State of Missouri (U.S.) has application globally for building knowledge-based economies. The plan makes more than 25 specific policy recommendations, with focus upon small business support and development, technical workforce development, education as it relates to technological and economic growth, businesses that generate critical technology advances and growth potential, and expansion of commerce into global markets. (January 2003)

Management of Secrecy and Evaluation Assessment in License Negotiations



By Dr. Heinz Goddar

[Originally presented as a contribution to the "International Patent Licensing Seminar, Japanese Institute of Invention and Innovation (JIII), Tokyo, 2003]

Armed with advanced degrees in physics and chemistry in addition to law, Dr. Heinz Goddar combines the practice of law with academic endeavors, specializing in international patent and licensing matters, including litigation and arbitration.

A senior partner of the Munich firms, Boehmert & Boehmert and Forrester & Boehmert, he also serves as Associate Judge at the Senate for Patent Attorneys Matters at the German Federal Supreme Court.

His academic career occupies him as lecturer on Patent and Licensing Law at the University of Bremen and the Munich Intellectual Property Law Center (MIPLC) in Germany, and at the Universities of Santa Clara, California and of Washington State in the U.S.

He is a Past President of LES International and of LES Germany. He can be reached at goddar@boehmert.de or <http://www.boehmert.de>.

Negotiating Technology Transfer Agreements

Whenever a technology transfer or licensing agreement is negotiated, it is nearly inevitable that the potential Licensor must disclose to the potential Licensee secret information or "know-how" which is not in the public domain. Disclosure of secret information to a prospective Licensee at an early stage of negotiation, or even upon conclusion of negotiation, is made at significant business risk by the Licensor. In spite of all confidentiality agreements, the fact remains that from the moment of disclosure, the knowledge and control of the secret know-how or trade secret will be in the hands of the potential Licensee. The Licensor, in other words, will be at the mercy of the Licensee, as far as the keeping of the secrecy of the disclosed know-how.

On the other hand, it is absolutely essential and inevitable that both parties in the negotiations disclose to one another enough of their know-how or trade secrets for each to make a reasonable and valid business decision regarding their pending business collaboration. Furthermore, once a license agreement is concluded, an ongoing exchange of know-how very often will be necessary, in order to make the development partnership fruitful. Finally, protection of trade secret information by the Licensee is essential if it wishes to engender the cooperation of the Licensor in the commercialization of the licensed technology.

Thus, there is significant risk in communicating secret know-how. Concurrently, communication of secret know-how absolutely is required in license negotiations. Negotiators must "strike a balance" between these two needs.



License Agreements and Definition of Secret Know-how

When trying to arrange a secrecy agreement, one should clearly understand that under certain national jurisdictions, obligations binding the Licensor and Licensee are permitted and enforceable only if the information meets certain requirements. For instance, in the European Union (EU), the technical know-how must fulfill the conditions of "Article 10 of the Technology Transfer Regulation of the European Union," namely, EC No. 240/96, to qualify for protection under secrecy agreements.

According to EC No. 240/96, secret know-how is defined as technical information which must be secret, substantial, and identified. By "secret" the technical information must not be generally known or easily accessible, either as a package or in the precise configuration and assembly of its components, at the time of communication to the other party. In order to be "substantial," the secret know-how must be useful for the conduct of the technology in question. Finally, in order to be "identified," the know-how must be described or recorded to enable verification of secrecy and substantiality, and future enforcement under the terms of the agreement.

Only information fulfilling the requirements of "secret, substantial, and identifiable" can be subject to binding contract obligations and provisions for both Licensor and Licensee in the EU. Non-technical information is not covered by these definitions. In practice, even though law requires reference to EU240/96, when secret know-how is addressed in technology transfer and license agreements, such information typically meets the definitions of the law.

Secrecy Provisions in Agreements

Secrecy agreements and license agreements should contain clauses addressing both confidentiality of know-how as well as the rights to use the disclosed secret know-how. Furthermore, as soon as a potential Licensor and Licensee start to talk, the "risk" of the creation of

new, jointly originated know-how arises. In other words, the "original" know-how which the parties held before discussions began may undergo transformation and enlargement simply as a result of the initial information exchange and contacts between the parties.

In order to prevent problems in managing this possibility, a confidentiality agreement executed in advance of negotiations should not only address the information the parties held prior to the opening of discussions, but also the new know-how which may be created by the parties once they begin to talk and exchange ideas.

A confidentiality agreement between a potential Licensor and a potential Licensee starting to talk to each other should contain a provision approximately like this:

The parties undertake to maintain secrecy, for an indefinite period of time, with respect to any know-how supplied by the other party which was already in the possession of the supplying party at the time of signature of this secrecy agreement and furthermore mutually undertake not to use the aforementioned know-how for purposes other than those linked with the mutual performance of the secrecy agreement or a licensing contract following thereafter, the latter obligation also lasting indefinitely.

In addition, in the European Union, a definition of the know-how should be given, which in accordance with EC No. 240/96, could read as follows:

"Know-how" is any company information of either technical or commercial nature, not generally known or easily accessible, but not extending to a) any know-how which at the moment of the conveyance to the receiving party has already been in the possession thereof, b) which at the moment of the conveyance to the receiving party has already belonged to public domain, or the free state of the art, and/or c) which after the conveyance to the receiving party becomes either free state of the art without any fault of the receiving party or is communicated to

the receiving party from a third party without secrecy obligation. The secrecy obligation also applies to employees of both parties. The parties undertake to draw the attention of their employees to this obligation and are responsible for ensuring that neither they nor their employees utilize or transfer to third parties secrets which have become known to them in any unauthorized manner.

An additional clause would address know-how developed by the parties after signature of the secrecy agreement and any licensing contract resulting from the negotiations. As an example, provisions regarding "original" know-how might also apply to developed know-how, as far as such know-how is created solely by one of the parties.

In case of jointly developed know-how, however, confidentiality obligations and regulations on the right to use such know-how are very tricky, since the obligation to keep confidential the jointly developed know-how might prevent both parties from reasonably using the know-how. Use of such know-how might make publication necessary, thereby violating the agreement. Furthermore, with certainty such use would prevent patenting by either of the parties or jointly by both of the parties in "absolute novelty" countries.

Nevertheless, both confidentiality and the right to use such new jointly-developed know-how must be clearly addressed. The solution—enabled by EC No. 240/96—would be for the Licensee to offer a "grant-back" to the Licensor to such know-how on a non-exclusive basis (perhaps with a right to sublicense). However, such grant back is plausible only if the Licensor has a similar, or even an exclusive, obligation towards the Licensee as to the improvements made by the Licensor.

Post-Term Obligations

Of particular interest, with regard to secret know-how and its evaluation in licensing negotiations, is the question as to what should happen with secret know-how after termination of the license agreement.

Due to the various possibilities and complexities,

separate contract provisions may be necessary for (i) original know-how; (ii) know-how created solely by one of the parties during the agreement, and (iii) jointly developed know-how. The situation becomes even more complex if the newly developed know-how makes use of the know-how originally held and solely developed by one of the parties.

Remedies

Remedies and sanctions must be enforced against all and any violations of secrecy obligations in secrecy agreements and subsequent license agreements.

As for remedies, both parties must assure that their employees and associates, as well as their records, are carefully controlled with regard to the secret know-how. Each party must be obliged to treat know-how of the other party in the same careful manner as its own and valuable secret know-how.

With regard to sanctions, the parties may decide between (i) a pre-determined penalty, such as \$50,000 for breach of a confidentiality obligation, or (ii) "justified" amounts, which would be at the discretion of an arbitration/mediation body or a court of law. In many countries – such as Germany – the parties typically rely upon the discretion of an arbitration/mediation body or court of law, as absolute pre-determined amounts are enforceable only with great difficulty, as parties may easily argue that the agreed amount is unjustified, in view of unforeseen good faith considerations.

Auxiliary Patent Protection

In view of the significant risks in disclosing valuable and secret information during the course of initial discussion and subsequent negotiation with a prospective Licensee, protection of the core elements of the prospective technology by filing a preliminary patent application might be advisable.

Most importantly, during the negotiations, such a patent application would give the right of priority to the Licensor for later patents, yet would ↓

still be pending in secrecy in discussions with the prospective Licensee. If the license negotiations are successful, the parties jointly can decide, before publication of such patent application (at the latest before the expiration of 16 months after filing of such a patent application) whether or not they desire to withdraw the application, in order to avoid publication and maintain trade secrecy. If the license negotiations are unsuccessful, the Licensor has maintained ownership of its core and valuable technology.

In Germany, many companies proceed exactly in this manner, filing patent applications on core elements of secret know-how preliminarily, as a "life insurance policy" at the time of entering into negotiations. Very often, such applications are later withdrawn if the parties have mutually agreed upon withdrawal at the conclusion of a license agreement, or for other reasons. At the least, even though the secrecy of the innovation may be lost if negotiations fail, the additional patent protection gives the originating party the possibility to protect the organization's core technology against patent infringers.

Conclusion

Before entering into negotiations, both the potential Licensor and the Licensee should carefully consider the management of their valuable corporate know-how, with confidentiality agreements addressing secrecy and rights to use information, as well as ownership of jointly-developed know-how, taking into account the relevant laws of the land.



EVENTS

Table of Contents

Click on organization's name in blue to access website.

JUNE 2003

"BIOPARKS 2003"

[Association of University Research Parks](#)

Baltimore, Maryland
June 20-21, 2003

"BIO 2003 Annual Convention"

[Biotechnology Industry Organization \(BIO\)](#)

Washington, DC USA
June 22-25, 2003

"Venture Fest 2003: Oxford's International Fair for Entrepreneurs"

[Oxford University](#)

Cowley, Oxford, UK
June 23-24, 2003

"Ethical Issues in International Health Research"

[Harvard School of Public Health](#)

Boston, Massachusetts USA
June 23-27, 2003

NEW "1st Workshop on Innovation, Knowledge and Clusters"

[European Regions Knowledge Based Innovation Networks \(ERIK\)](#)

Bologna, Italy
June 30-July 1, 2003

JULY 2003

NEW "Implementing the Theories of R&D Management: Advancing the State of the Art"

[R&D Management Activities \(RADMA\)](#)

Manchester, UK
July 7-9, 2003

"12th Annual Advanced Licensing Institute"

[Franklin Pierce Law Center](#)

Concord, New Hampshire USA
July 14-18, 2003

NEW "Professional Development Series: Fundamentals of Intellectual Asset Management"

[Licensing Executives Society \(LES\), USA - Canada](#)

Chicago, Illinois USA
July 14-17, 2003

NEW "Professional Development Series: Intermediate Intellectual Asset Management"

[Licensing Executives Society \(LES\), USA - Canada](#)

Chicago, Illinois USA
July 14-17, 2003

"AUTM Western Regional Meeting"

[Association of University Technology Managers \(AUTM\)](#)

Santa Fe, New Mexico USA
July 20-22, 2003

"Technology Management for Reshaping the World"

[Portland International Conference of Management of Engineering \(PICMET '03\)](#)

Portland, Oregon USA
July 20-24, 2003

"AUTM Central Regional Meeting"

[Association of University Technology Managers \(AUTM\)](#)

Kansas City, Missouri USA
July 27-29, 2003



EVENTS

Table of Contents

AUGUST 2003

NEW "Knowledge Management: 3rd Int'l Conference on Knowledge, Culture and Change"
RMIT University
Penang, Malaysia
August 11-14, 2003

"2003 University/Industry Conference: Enhancing the Partnership in a Global Economy"
National Council of University Research Administrators (NCURA)
San Francisco, California USA
August 17-19, 2003

"ACU Annual Conference: Universities Engaging with their Communities"
Association of Commonwealth Universities (ACU)
Queen's University Belfast, Belfast, UK
August 31-September 4, 2003

SEPTEMBER 2003

AUTM Courses: (i) Basic Licensing, (ii) TOOLS and (iii) Startup Business Development
Association of University Technology Managers (AUTM)
Baltimore, Maryland USA
September 7-9, 2003

"Entrepreneurial and Small Business Development Strategies Workshop"
International Economic Development Council (IEDC)
Cincinnati, Ohio USA
September 11-12, 2003

"2003 Annual Conference: Advancing Economic Development in the 21st Century"
International Economic Development Council (IEDC)
Cincinnati, Ohio USA
September 14-17, 2003

"TII Summer School"

Technology Innovation Information (TII)
Portugal
September 15-19, 2003

"Open Meeting on Good Practices"
Business Innovation and Growth from the Exploitation of Academic Research (BIGEAR)
Vienna, Austria
September 18-19, 2003

NEW "2003 International Conference on Communities & Technologies"
Communities & Technologies, and University of Amsterdam
Amsterdam, The Netherlands
September 19-21, 2003

"Golden Opportunities: 2003 Annual Meeting"
Licensing Executives Society (LES), USA and Canada
San Diego, California USA
September 21-25, 2003

"The Emerging Technologies Conference at MIT and TR100 Awards"
Technology Review: MIT's Magazine of Innovation
Cambridge, Massachusetts USA
September 24-25, 2003

OCTOBER 2003

NEW "Revitalizing Rural Economies"
Rural Community College Alliance
San Antonio, Texas USA
October 6-8, 2003

NEW "2003 Cleveland Clinic Medical Innovation Summit"
The Cleveland Clinic Foundation
Cleveland, Ohio USA
October 7-9, 2003



EVENTS

Table of Contents

NEW "Research Management Conference 2003"

Australasian Research Management Society (ARMS)

Auckland City, New Zealand
October 13-15, 2003

"2003 SRA International Annual Meeting: Building Bridges of Knowledge"

Society of Research Administrators International (SRA)

October 18-22, 2003
Pittsburgh, Pennsylvania US

"NAMTAC Fall Conference"

National Association of Management and Technical Assistance Centers (NAMTAC)

Albany, New York USA
October 19-21, 2003

"Academic Conference on Entrepreneurship in Latin America"

Center for Entrepreneurship, Universidad Adolfo Ibanez

Vina del Mar, Chile
October 26-28, 2003

NOVEMBER 2003

"NCURA's 45th Annual Meeting"

National Council of University Research Administrators (NCURA)

Washington, DC USA
November 2-5, 2003

"Innovations in Early Stage Investing"

National Association of State and Venture Funds

Baltimore, Maryland USA
November 2-5, 2003

"EPIDOS Annual Conference and PATINNOVA 2003"

European Commission and European Patent Office

Luxembourg
November 10-12, 2003

NEW "What Do We Know About Innovation? A Conference in Honour of Keith Pavitt"

Science & Technology Policy Research, University of Sussex

Brighton, UK
November 13-15, 2003

DECEMBER 2003

"AUTM Graduate Course"

Association of University Technology Managers (AUTM)

San Diego, California USA
December 4-7, 2003

APRIL 2004

NEW "Changing Collaboration between Government, Industry and University"

International Association of Management of Technology (IAMOT)

Washington, DC

April 3-7, 2004

Call for Papers: Abstracts due October 15, 2003

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