

Contracts and Agreements to Support Partnerships

A contract follows the deal that has been made between two or more parties. Put differently, form (contract) follows function (deal). And any deal has a purpose: it is a means of transferring *value* between parties. Ideally, the trust between partners permeates their relationship and interactions, from the negotiations of an agreement, through project implementation, and into future agreements, collaborations, and projects. However, in practice, circumstances are rarely perfect. So **negotiating agreements should be seen as an initial step toward longer-term, productive, and mutually beneficial relationships.**

There are many types of agreements, as noted and discussed by Mahoney and Krattiger,¹ and those **related to collaborations** fall into one of four broad categories:

- *Confidentiality agreements* protect confidential information from disclosure to third parties.
- *Materials transfer agreements* (MTAs) protect samples (tangible property) from misuse by or unauthorized distribution to third parties.
- *Co-development agreements* and *collaboration agreements* outline the specific contributions of different parties who work toward a mutual goal.
- *Patent licenses* and *technology licensing agreements* allow one party to further develop, use, make, or sell the patented (and/or trade-secret-protected) technology of another party. Patent licenses may be specific

to one or several patents. Technology licenses usually include the transfer of know-how (which may or may not be a trade secret) and sometimes materials. Such licenses may provide for the further development of a technology or limit production/manufacture of a good or provision of a service. Commercialization licenses are discussed in part 12 of the *Executive Guide: Dealmaking and Marketing Technology to Product-Development Partners*.

In addition, parties may engage in research agreements and distributorship agreements that contain elements of the four types of agreements listed above. Many agreements, such as MTAs contain confidentiality provisions; patent/technology licenses often contain confidentiality and material transfer provisions as well. But certain standard elements are integral to most agreements:

- *recitals, preamble, and “whereas clauses”* that lay out the broad motivations and goals of the agreement
- *a list of the parties* entering into the agreement
- *definitions* of terms used in the agreement
- *confidentiality clauses*
- *territory and exclusivity clauses* that define the geographic regions in which the licensee is permitted to make, use, and/or sell the technology in question

Krattiger A, RT Mahoney, L Nelsen, JA Thomson, AB Bennett, K Satyanarayana, GD Graff, C Fernandez and SP Kowalski. 2007. 7: Contracts and Agreements to Support Partnerships. In *Executive Guide to Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices* (Krattiger A, RT Mahoney, L Nelsen et al.). MIHR (Oxford, UK), PIPRA (Davis, USA), Oswaldo Cruz Foundation (Fiocruz, Rio de Janeiro, Brazil), and bioDevelopments-International Institute (Ithaca, USA). Available online at www.ipHandbook.org.

© 2007. A Krattiger et al. *Sharing the Art of IP Management*: Photocopying and distribution through the Internet for noncommercial purposes is permitted and encouraged.

- *liability clauses* that establish who will accept liability for a product and that set out terms of liability
- *payment clauses* that define the forms of payment, if any, of up-front fees and/or royalties (Terms will ideally balance the licensor's need for short-term income and the licensee's capacity to make further investments for longer-term development.)
- *an arbitration clause* that establishes how disputes will be handled
- *term and termination*, establishing how long the agreement will last and under what conditions the agreement may be terminated
- *jurisdiction, warranties, and notices*, which specify (1) where disputes are to be resolved, (2) that the licensor does, in fact, own the intellectual property to be licensed, and (3) where official communications are to be directed
- *illegally unenforceable provisions* that specify which terms can be discontinued due to invalidity without rendering the agreement void
- *subject law*, which specifies where the parties wish to have the agreement interpreted and adjudicated
- *signatories* (These are representatives, called agents, who have the authority to bind their respective organizations, called principals, to the terms and provisions of the agreement.)

Public sector research institutions can use a variety of agreements to protect and manage intellectual property. These agreements are powerful tools to foster competition in the private sector and reduce prices for consumers in developing countries. The authors emphasize **the importance of establishing and maintaining trust when negotiating and implementing agreements.**

Although no agreement will ever be perfect, there are good and not-so-good agreements (and poorly written and highly ineffectual agreements). **The best agreements are generally those that do not use technical or legal jargon**, that use short, clear sentences free of vague adjectives and written in active voice. Business people (who have extensive technical knowledge but generally limited legal knowledge) and judges (who generally have limited

technical knowledge but extensive legal knowledge) should find such documents accessible.

Agreements that serve the parties best may take longer to negotiate, but each time two parties have successfully developed an agreement, the development of subsequent agreements should be easier. Taking time to think through and discuss the terms of an agreement fosters communication between the partners, although often template agreements² can be used as starting points in building trust.

During collaborations, and in some types of licensing agreements, materials and confidential information are passed from one party to another. **Confidentiality, or nondisclosure, agreements are contracts that govern the disclosure of confidential information by one party to another party and can be useful for building trust.** Kowalski and Krattiger³ explain that disclosures may be unilateral, bilateral, or multilateral, and confidential information is valuable precisely because it is not known to business competitors or to the public. Key provisions in a confidentiality agreement include:

- *definition* of the information
- important *exceptions*, which describe circumstances under which the obligation of confidentiality is inapplicable (for example, the information was already in the public domain or is commonly known)
- *conditions* on the use of the confidential information, which is a detailed description of the ways in which the receiving party may and may not use the information
- *requirements for documentation*, which describe the requirements for written records (may include keeping track of the disclosed information, whether disclosed in writing or orally)

An organization that enters into a confidentiality agreement must ensure that all who have access to the confidential information understand that they must keep sensitive information confidential.

Traditionally, scientists have freely shared information as well as research materials. However, with fundamental research and commercial development merging ever closer, in both health and

agricultural research, materials that once would have been used exclusively for fundamental research increasingly have direct commercial value. Therefore, universities, for-profit corporations, and nonprofit research institutions now realize that they must obtain proprietary protection for their research materials. Unrestricted transfers of research materials between scientists are becoming less and less common, particularly transfers between scientists in industry and those in academia. Biological materials are transferred still, though not as freely as before, but now with conditions attached as part of MTAs. Increasingly important in the life sciences, MTAs **delineate the terms under which tangible materials are transferred between two or more parties**. Technically, MTAs are bailments because they involve the transfer of possession but not of title. In other words, the party that transfers the materials retains full ownership, and the party that receives the materials holds them “in trust”; an analogy for such a transfer might be the act of leaving a watch at a watch-repair shop or a suit with a dry cleaner.

Bennett, Streitz, and Gacel⁴ explain that an MTA specifies the term of a transfer, delineates how materials may and may not be used, and provides for other related issues such as confidentiality. An MTA may also contain licensing provisions for the transfer of embedded IP rights (such as patent rights). Thus, an MTA can be a hybrid instrument, covering the transfer of both tangible property (via bailment and contract) and intangible intellectual property (via licensing of patent rights). Thus, MTAs can be quite complex. Besides the usual clauses included in MTAs, the following are the perhaps the most critical to consider, especially for public sector institutions:

- **reach through clauses**, which describe the extent to which the supplying party may “reach” into the research and into new intellectual property or material generated from work with the supplied materials
- **derivatives**, clauses that explain who will own modifications if the receiving institution makes modifications to the material

Particular consideration should be given to these all-important clauses, and receiving

institutions must understand the implications of such clauses if indeed they are included. As a result, material transfers between private- and public-sector institutions are typically much more complex than MTAs between two universities. It is less problematic for universities to transfer materials than it is for materials to be transferred between industry and academia. If a problem does occur under a transfer arrangement, it is usually because IP rights attached to the materials transferred have been exclusively licensed and the terms of that agreement impose constraints on the institution providing the material.

Collaborative research agreements and sponsorship agreements are generally more complex than MTAs. A collaborative research agreement, for example, often involves multiple partners (who are increasingly a mixture of private- and public-sector actors) working together on a research project. The partners each contribute an amount of money, talent, and technology into a central pool that all draw from. Chapters by Bair Steinbock⁵ and Gold and Bubela⁶ explain how to write collaborative research agreements and covering myriad issues, including licensing provisions. The authors point out that the following elements are the most critical in these agreements (besides the usual must-haves for any agreement):

- *statement of objectives*, which explains what the parties want to accomplish together and why their collaboration is important
- *statement of work*, which explains the research plan, outlining approaches and methodologies, specifying who will be responsible for work product, and delineating time frames, benchmarks, and delivery dates
- *work plan* that specifies what each party will be expected to contribute, how necessary changes to the work plan will be made, and how communication between the parties is to take place
- *dispute resolution plan*, which explains procedures and mechanisms that would be used in turn, should a dispute arise

Focusing on patent licensing, Krattiger⁷ points out that not every patent needs to be

licensed per se. A special form of agreement—which can also take the form of a public statement—is the nonassertion covenant (nonassert). Such an agreement certifies that a party or parties in possession of intellectual property will not assert and defend IP rights (typically patents). Such nonasserts can be used in a broad range of IP management scenarios. For example, **nonassertion covenants are particularly useful for granting developing countries access to essential innovations in health and agriculture**, since such agreements offer simple and effective ways of dealing with three major constraints common in agri-biotechnology transfer and licensing:

1. Nonassertion covenants can be used to circumvent liability associated with licensing.
2. Nonassertion covenants can make research tools available.
3. Transaction costs can be reduced because such costs associated with nonassertion covenants are lower than those associated with bilateral and multilateral licensing agreements.

From a legal perspective, nonasserts are preemptive patent-infringement settlement agreements that are designed and drafted with the purpose of resolving future infringement disputes. There are no compelling reasons why nonasserts could not become more widely used to foster important advances and innovation that address needs in developing countries.

A patentee's public declaration of nonenforcement of a patent via a nonassert can have wide-ranging implications in terms of enhancing public sector R&D. This would be the case especially with patent rights covering research tools, and particularly in the United States, due to limitations on research exemptions. These are critical for accelerating the development of essential biotechnological applications in both the health and agricultural industry sectors. Carefully

drafted, targeted nonasserts permitting the use of these tools—anywhere in the world—to address humanitarian needs (including in a commercial setting) could have broad-ranging and significant positive impacts. The approach reduces transaction costs, encourages innovation to help the poor, and accomplishes this without much cost, time, or loss of commercial opportunity. ■

All chapters refer to: *Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices*. 2007. A Krattiger, RT Mahoney, L Nelsen, JA Thomson, AB Bennett, K Satyanarayana, GD Graff, C Fernandez, and SP Kowalski (eds.). MIHR: Oxford, U.K., and PIPRA: Davis, U.S.A. Available online at www.ipHandbook.org. The online version contains for each chapter a detailed Editor's Summary, Implications, and Best Practices.

- 1 Chapter 7.1 by RT Mahoney and A Krattiger titled *Agreements: A Review of Essential Tools of IP Management*, p. 675.
- 2 The online version of the *Handbook* offers 16 confidentiality agreements, 22 MTAs, 25 collaboration agreements of various types, 39 licenses of various types, 17 other types of agreements ranging from nonasserts to consultancy agreements, and several IP-related clauses in employment agreements. These are real agreements from various institutions around the world that can be used as starting points for generating template agreements. Note, however, that whereas template agreements can be useful, they should be used cautiously. They are seeds for further discussion and negotiation. No generic template will be appropriate in every cultural and legal climate.
- 3 Chapter 7.2 by SP Kowalski and A Krattiger titled *Confidentiality Agreements: A Basis for Partnerships*, p. 689.
- 4 Chapter 7.3 by AB Bennett, WD Streit and RA Gacel titled *Specific Issues with Material Transfer Agreements*, p. 697.
- 5 Chapter 7.4 by M Bair Steinbock titled *How to Draft a Collaborative Research Agreement*, p. 717.
- 6 Chapter 7.5 by ER Gold and T Bubela titled *Drafting Effective Collaborative Research Agreements and Related Contracts*, p. 725.
- 7 Chapter 7.6 by A Krattiger titled *The Use of Nonassertion Covenants: A Tool to Facilitate Humanitarian Licensing, Manage Liability, and Foster Global Access*, p. 739.



FOR GOVERNMENT POLICYMAKERS

- ✓ A public sector institution can use a variety of agreements to both manage and protect intellectual property, regardless of whether that intellectual property is owned by the public sector institution or by licensing partners in the private sector. The key issue is to allow for **maximum flexibility whereby institutions can set, or negotiate, the terms that best fit the mission and goals of the institution** and the purpose of the partnership.
- ✓ It is important to encourage partnerships that accelerate the development and use of new technologies, whether they are domestic or foreign, and to **provide support and encouragement during negotiation in the form of tangible commitments to capacity-building**, as well as to broader IP management training in patenting, licensing, and technology transfer, for example.
- ✓ **Confidentiality agreements** are meant to protect sensitive data that one party transfers to another. They do not run counter to public sector missions or to publishing important research findings. Many organizations, including public sector institutions, often have information that is legitimately kept confidential. Such information can include business plans, research proposals, and databases containing business contacts.
- ✓ **Confidentiality agreements rely on a culture of trust, not a culture of secrecy.**
- ✓ Predictably enforced and fairly construed contract laws will greatly facilitate the formation and enforcement of contracts. A functioning court system is essential to encouraging partnerships. Indeed, suppliers of biological materials (and of confidential information and intellectual property) will be encouraged to enter into agreements if the suppliers are confident that their property rights will be protected and that agreements will be enforced. Such **confidence fosters collaborative research, and drives international collaboration.**
- ✓ It is important that the courts adjudicate contract disputes efficiently and fairly because the quality of the judicial system will influence the **quality and quantity of a country's international partnerships and agreements** and also will influence the complexity and sophistication of technologies transferred to and from a given country.

Given that IP management is heavily context specific, these Key Implications and Best Practices are intended as starting points to be adapted to specific needs and circumstances.



FOR SENIOR MANAGEMENT

(UNIVERSITY PRESIDENT, R&D MANAGER, ETC.)

- ✓ A public sector institution can use a variety of agreements to both manage and protect intellectual property, regardless of whether that intellectual property is owned by the public sector institution or by licensing partners in the private sector. The key issue is to allow for **maximum flexibility whereby institutions can set, or negotiate, the terms that best fit the mission and goals of the institution** and the purpose of the partnership.
- ✓ It is important to encourage partnerships that accelerate the development and use of new technologies, whether they are domestic or foreign, and to **provide support and encouragement during negotiation in the form of tangible commitments to capacity-building**, as well as to broader IP management training in patenting, licensing, and technology transfer, for example.
- ✓ **Confidentiality agreements** are meant to protect sensitive data that one party transfers to another. They do not run counter to public sector missions or to publishing important research findings. Many organizations, including public sector institutions, often have information that is legitimately kept confidential. Such information can include business plans, research proposals, and databases containing business contacts.
- ✓ **Confidentiality agreements rely on a culture of trust, not a culture of secrecy.**
- ✓ No agreement will ever be perfect. Technology transfer officers who negotiate agreements that are in keeping with an institution's policy, ought to be given **full support by senior management**, especially when deals are criticized from outside of the organization.
- ✓ Senior management can be instrumental by signing off on certain **template agreements** that can be used as a basis for negotiating deals. But a template agreement should be used *only* as a starting point for discussion.
- ✓ Any institution should have clear guidelines stating **who is authorized to sign agreements.**

Given that IP management is heavily context specific, these Key Implications and Best Practices are intended as starting points to be adapted to specific needs and circumstances.



FOR SCIENTISTS

- ✓ A public sector institution can use a variety of agreements to both manage and protect intellectual property, regardless of whether that intellectual property is owned by the public sector institution or by licensing partners in the private sector. The key issue is to allow for **maximum flexibility whereby institutions can set, or negotiate, the terms that best fit the mission and goals of the institution** and the purpose of the partnership.
- ✓ **Confidentiality agreements** are meant to protect sensitive data that one party transfers to another. They do not run counter to public sector missions or to publishing important research findings. Many organizations, including public sector institutions, often have information that is legitimately kept confidential. Such information can include business plans, research proposals, and databases containing business contacts.
- ✓ **Confidentiality agreements rely on a culture of trust, not a culture of secrecy.**
- ✓ **No agreement will ever be perfect.** Technology transfer officers who negotiate agreements that are in keeping with an institution's policy are making their best effort at getting deals that respect and strengthen the institution's mission. Your role, however, is to share with those who negotiate agreements all of the relevant information and your insights. In some cases, especially with collaborative research agreements, you may be an integral member of a team that will address issues such as research plans and purpose.
- ✓ In most cases, you will not be authorized to sign certain types of agreements without review by counsel or by your technology transfer office. Make sure you know **whether or not you are authorized to sign certain agreements.**
- ✓ Everyone in your group or laboratory should know—and understand—the **obligations entered into through certain agreements** that affect information, data, and materials used in your laboratory and research program. This is especially important for material transfer agreements and confidentiality agreements.
- ✓ You will need to keep track of data and information related to **confidentiality agreements.** Understand what can and cannot be disclosed and to whom information can be disclosed. If you have questions, do not hesitate to contact your technology transfer office for guidance.
- ✓ An MTA should not be viewed as a barrier to materials access. In fact, **MTAs are tools for gaining greater access to materials from a wider range of sources** (scientists from the public and private sectors, both in your own country and abroad). However, not all clauses in an MTA may be appropriate. Which clauses are appropriate will depend on the circumstances, the purposes of the transfer, and the institution from which the material is being received.

Given that IP management is heavily context specific, these Key Implications and Best Practices are intended as starting points to be adapted to specific needs and circumstances.



FOR TECHNOLOGY TRANSFER OFFICERS

- ✓ A public sector institution can use a variety of agreements to both manage and protect intellectual property, regardless of whether that intellectual property is owned by the public sector institution or by licensing partners in the private sector. The key issue is to allow for **maximum flexibility whereby institutions can set, or negotiate, the terms that best fit the mission and goals of the institution** and the purpose of the partnership.
- ✓ Recognizing that no agreement will ever be perfect, you will need to **work with senior management to obtain their full support and backing**, especially when deals are likely to be criticized from the outside.
- ✓ Certain terms should be “**negotiated**” **internally prior to negotiating with third parties**. Senior management can be instrumental by signing off on certain template clauses that can be used as the basis for negotiating deals.
- ✓ **A template agreement** should be used *only* as a starting point for discussions.
- ✓ Contracts should be tailored to fit local customs and business practices. Be **sensitive to cultural and linguistic differences among parties** to a contract.
- ✓ Your office ought to be the **official repository** of all agreements dealing with incoming and outgoing biological materials.
- ✓ Legal jargon in agreements should be avoided. Instead, **use short, clear sentences that are free of vague adjectives and are written in the active voice**. The vocabulary should be accessible both to business people (who have extensive technical knowledge but limited legal knowledge) and judges (who have limited technical knowledge but extensive legal knowledge).
- ✓ Confidentiality agreements rely on a culture of trust, *not* a culture of secrecy. Make sure that **confidentiality agreements contain the necessary exceptions** appropriate for the mandate of your institution. A tricky question is how broadly the term *confidential information* should be defined. Too narrow a definition may leave out important information; too broad of a definition may prevent the parties from getting on with their work.
- ✓ MTAs call for extra caution with respect to clauses that deal with **reach through and the ownership of derivatives**. These clauses need not be negative. In fact, you may wish to impose certain reach through clauses yourself. These decisions will depend on the circumstances.
- ✓ When negotiating **collaborative research agreements**, you should involve the scientists to the maximum extent possible. Also, pay particular attention to a clear and detailed work plan, how communication is to happen among the parties, how modifications to the work plan are to be agreed upon, and how disputes are to be resolved.

Given that IP management is heavily context specific, these Key Implications and Best Practices are intended as starting points to be adapted to specific needs and circumstances.