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Innovation to Production: 4 Strategies to Protect IP When Collaborating

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As 2020 came to a close, I started to reflect, like many others, on the past twelve months. A recent U.S. Federal Circuit decision caused me to recall my Innovation to Production series webinar hosted this past fall directed to strategies for protecting IP when collaborating with others. Then I wondered, would SiOnyx have signed that NDA after considering these 4 strategies?

Risky Business to Rely on a NDA When Collaborating

My recollections were prompted by the unfortunately all too familiar background fact pattern, rather than the patent ownership issues. Briefly, SiOnyx was founded to develop and commercialize black silicon after its initial U.S. patent applications were filed. Hamamatsu makes silicon-based photodetector devices. The parties met for a brief presentation by SiOnyx on its technology. Shortly after the meeting, the parties entered into a NDA purportedly to allow the parties to share confidential information relating to the evaluation of potential applications and joint development opportunities to incorporate the SiOnyx technology into Hamamatsu photonic devices. Only after protracted and costly litigation did SiOnyx receive a favorable decision. SiOnyx LLC et al. v. Hamamatsu Photonics K.K. et al., Nos. 2019-2359, 2020-1217 (Fed. Cir. Dec. 7, 2020) [http://www.cafc.uscourts.gov/sites/default/files/opinions-orders/19-2359.OPINION.12-7-2020_1697100.pdf].

Unfortunately, there is often misplaced reliance that a NDA is a sufficient agreement in any situation because everything disclosed between the parties must be kept confidential. However, when collaborating with another company in a joint development project or technology application investigation a NDA is nearly always inadequate. A NDA can address technology ownership, but they almost always fail to address the IP ownership in a thoughtful or nuanced manner when the parties are engaged in collaborative activities or joint development.

Rush to Collaborate Can Lead to Unintended Consequences

There is often pressure and a rush to get an agreement in place rather than the right agreement. Often, the company does not fully consider, identify or develop an understanding of the background facts, known solutions, existing technologies, potential innovations, etc. or the subsequently developed innovations that it wants to own, license, share or give away. Perhaps the apparent enticement to move immediately to the development phase (and hopeful commercialization shortly thereafter) may have clouded SiOnyx's judgment that a NDA was the only necessary contractual arrangement. Unfortunately, there was no subsequent agreement that provided a more thoughtful approach and better protection for SiOnyx.

Evaluation before Innovation

The parties missed an opportunity at their meeting to consider an evaluation of commercially available, non-confidential technology to determine if this technology could be used to meet the objectives of the collaboration. The intent is to use existing technology that is not subject to confidentiality obligations, and is otherwise available in the market so that one party can use the non-confidential technology of the other party without restriction to develop the objectives of the collaboration. Remember that non-confidential technology also includes proprietary, i.e., patented, technology, that could be licensed for authorized use. Perhaps SiOnyx could have granted a license to avoid this litigation.

Keep Business Strategy in Mind for Developed IP

If there were no satisfactory existing technology, then the parties could discuss and outline the development of new innovations, technologies or adaptations of existing technologies to meet the objectives of the collaboration. For each project related to this development effort, an agreement should be memorialized that outlines the milestones, responsibilities, inputs, obligations and IP allocations relating to any developed technology, among other items.

A key topic of any such agreement is the IP allocation related to the developed innovations or technology. I would encourage the parties to refrain from defaulting to joint ownership of all developed technology. This usually seems at first glance to be a simple solution. However, since the developed technology often includes pre-existing IP, the owner of such pre-existing IP may inadvertently give away rights for nothing, since under joint ownership the other company (at least in the United States) can use, license and exploit the developed technology without accounting to the owner.

Rather, consider some equitable ground rules for the types of innovations that might arise out of the joint efforts. For example, the parties could identify those types of inventions that will be assigned to one company versus the other company irrespective of which company develops them and those types of inventions that will be jointly owned. This arrangement can be accomplished by concentrating on the allocation of technology to particular fields associated with each party's business strategy.

Then, the remainder can be jointly owned because this technology will be limited to the types of innovations that are not core to either party; so the key concern here is freedom to practice rather than owning the technology. In difficult situations, accommodations can be made, such as a license back to allow some limited freedom to practice in an adjacent field.

Here are 4 Strategies to Protect IP When Collaborating:

1. Don't rely on only a non-disclosure agreement, since it is insufficient for joint development arrangements.

2. Thoughtfully consider the appropriate agreement to best protect company IP in view of the flow of any rights.

3. Do not default to joint ownership of IP, but rather, limit to innovations that are not core to either party.

4. Allocate ownership of jointly developed technology to particular fields associated with each party's business strategy.

In conclusion, a more thoughtful or nuanced approach to collaborative arrangements could reduce the likelihood of protracted costly litigation.

If you have any questions regarding the topics discussed in this article, please contact **Michael J. Turgeon** at +1 (312) 609 7716, or any Vedder Price attorney with whom you have worked.