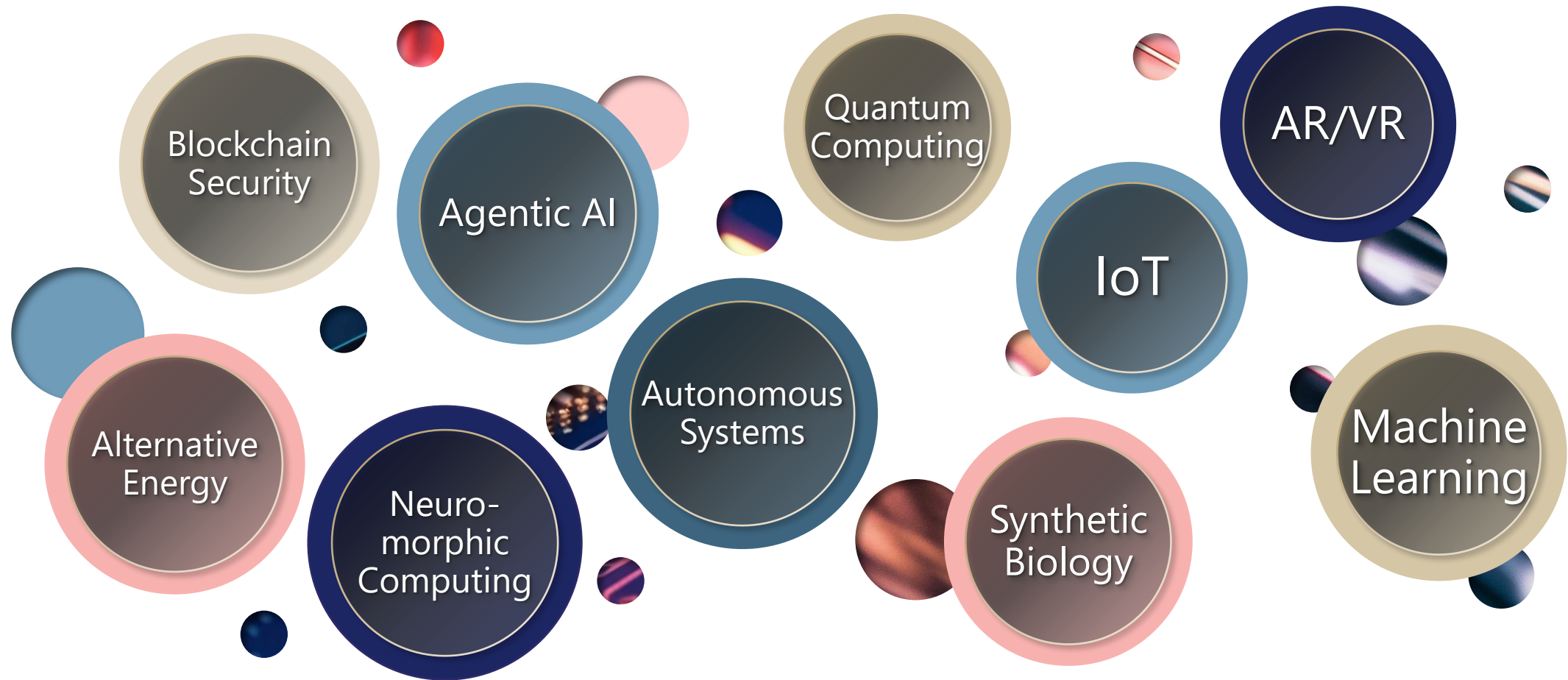




IP FRAMEWORKS IN CONTRACTS FOR EMERGING TECHNOLOGIES

Brad Peterson and Spencer Glende

EMERGING TECHNOLOGIES – AN EXPANDING UNIVERSE





“EMERGING” IMPLIES UNCERTAINTY

Emerging Technologies:

- Are relatively new and quickly evolving
- Have unclear potential applications and impacts
- Carry unforeseen risks
- Involve iterative, collaborative development
- Are hard to value

A photograph of four hikers walking up a steep, grassy mountain trail. The hikers are seen from behind, moving away from the camera towards a misty, overcast peak. The lead hiker is wearing a grey jacket and a backpack. The second hiker is in a teal jacket. The third hiker is in a brown jacket. The fourth hiker, closest to the camera, is wearing a black jacket, black shorts, and a large black backpack with yellow accents. The trail is a narrow path of dirt and grass, and the surrounding landscape is rugged and mountainous.

CONTRACTING FOR EMERGING TECHNOLOGIES

Key Goals:

- Establishing “fair” compensation
- Specifying deliverables and success criteria
- Allocating risks
- Fostering collaboration and trust

GOALS FOR IP FRAMEWORKS IN EMERGING TECHNOLOGY CONTRACTS

Benefits To Achieve

Protecting existing assets

Rewarding innovation

Joint innovation

Maximizing deal value

Parties quickly resolving
disputes

Risks To Avoid

Jeopardizing existing IP

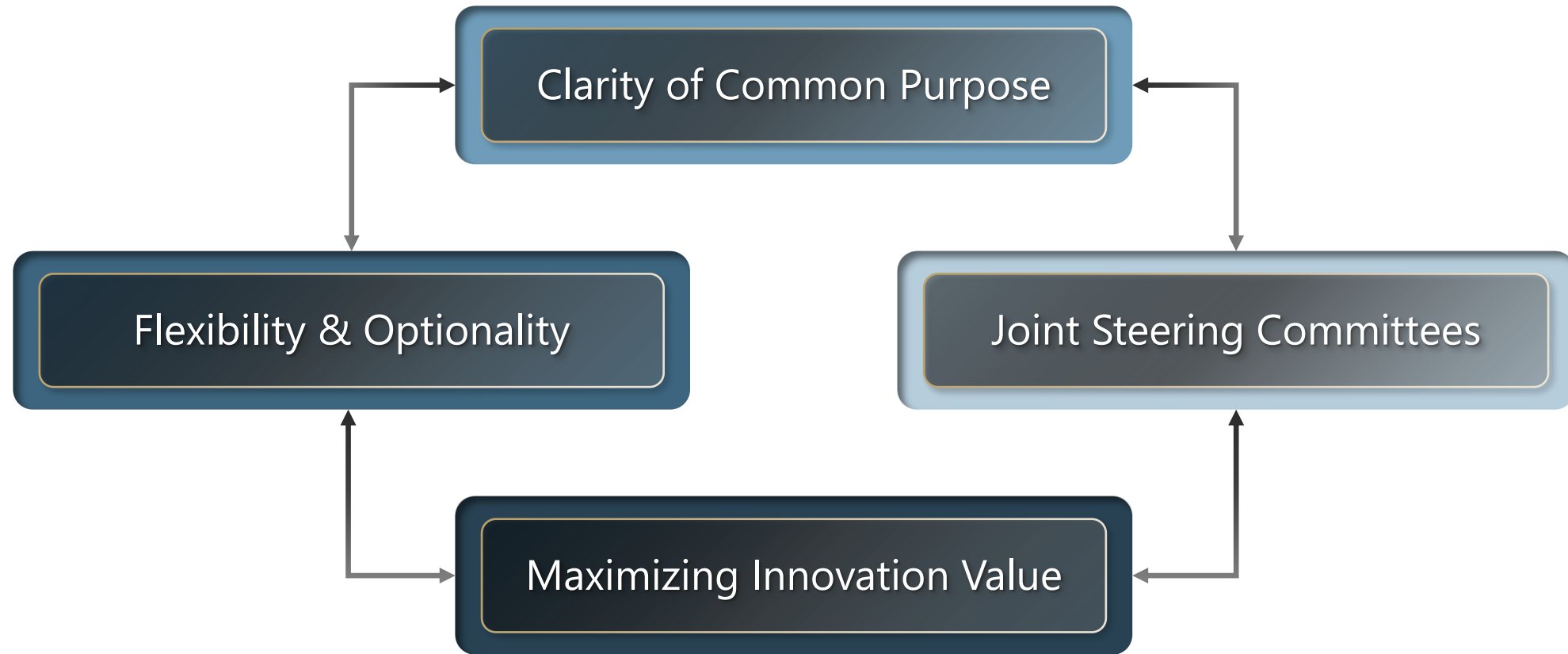
Chilling innovation

Withholding of information or
assistance

Impairing or tying up value

Disputes quickly ending deal

FOUR KEYS TO SUCCESS IN INNOVATION-FRIENDLY IP FRAMEWORKS



CLARITY OF COMMON PURPOSE

- Jointly articulated business objectives
- Include in contract as one or more guiding principles
- Serves as a reference for joint governance strategy, go/no-go decisions, and dispute resolution
- Process of defining purpose naturally aligns the parties—or exposes disconnects—from the outset

JOINT STEERING COMMITTEES

- Include decision-makers from each party
- Run by innovation managers from each party
- Decide on strategy, investments and related changes in IP allocations
- Agree on IP contributions and innovations by the parties
- Interpret and apply IP-allocation provisions
- Define strategy/processes for IP protection, enforcement, or exploitation

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PRINCIPLE

MAXIMIZING INNOVATION VALUE

- Maximize the total value of the investment in innovation, with IP and compensation provisions allocating that value equitably
- Leverage the parties' respective positions/strengths
 - Which party is best positioned to extract value from IP via internal use? Licensing? Further R&D? Product sales? Suing infringers?
- Use cross-licensing or joint ownership of new IP to provide more avenues for monetization
 - Beware potentially divisive effects of joint-ownership rules
 - May supplement with field- or territory-based exclusivities, royalties, etc. tailored for the contract's guiding principles

FLEXIBILITY AND OPTIONALITY

- Evaluate/adjust IP silos and rights at project stage gates
- Consider IP rights in connection with contract off-ramps
- License expansion options
 - May be for additional bundles of rights (e.g., R&D, commercialization, sublicensing)
 - Value may be impossible to pre-set; consider best-offer arbitration if JSC deadlocks
- Buy-out option for joint IP
 - Aligns ownership/control with the party that values it most (and provides alternative to thorny joint ownership)
 - Fair price may be found using reciprocal buy-sell price offer



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BENEFITS AND DRAWBACKS OF FLEXIBLE IP FRAMEWORKS

Benefits

Fosters collaboration

Reduces positional
negotiating friction

Helps unlock full value of
innovation

Future-proofing

Drawbacks

Requires more trust

Greater contract complexity

More “overhead” investment

Overkill for simple or
low-value deals



KEY TAKEAWAYS FOR CONTRACTING FOR EMERGING TECHNOLOGIES

- Clearly define common purpose and guiding principles
- Establish JSC composition, authority, and procedures (including for real-time IP tracking)
- Allocate developed IP rights to maximize value
- Provide for reevaluation and adaptation, possibly including license or buy-out options