

Patent Assignment Language Cancels INVENTORS' RIGHTS



Universities across the country routinely rely on boilerplate patent agreements and other legal documents to control innovations discovered by the scientists they employ. While their stated goals are to promote continued research and innovation, the application of these policies could, over time, have the opposite effect.

Universities stipulate that all employees must sign standard intellectual property (IP) agreements which give the university ownership rights to their creative works. Many of these IP agreements also call for faculty to execute additional, yet unspecified, documents the university may require in the future. Mandating faculty researchers to sign documents they have never seen as a condition of continued employment contradicts employment law and disregards all of the duties of the university to protect and preserve the intellectual property interests of their faculty members.

While some university technology transfer offices are staffed with competent stewards of intellectual property, others may have less capable personnel. The life of a patent may exceed 20 years - a long time for a faculty inventor to rely on the “kindness of strangers.”


In the case of Dr. Renee Kaswan, inventor of the billion-dollar drug Restasis® and a former research professor at the University of Georgia, contractual technicalities were used to strip away her equity in her life's work. “If my experience was an isolated case, it would matter only to me,” Dr. Kaswan said. “However, an unfortunate secret about university technology transfer is that all big winners end up in court. And that can only end up stifling, rather than promoting, innovation.”

In 1984, Dr. Kaswan signed a standard UGA Patent Agreement as required by her employment contract. The document established the university's interest in “any invention or discovery” she would make and said she must abide by the patent policy and its modifications that would be published “from time to time.”

UGA's current Intellectual Property Policy is much more expansive than the 1984 version, specifying that “during and after the term of my employment, I agree to sign any assignment, affidavit or other document that University of Georgia Research Foundation (UGARF) may require with respect to perfecting UGARF's legal rights in Intellectual Property.” This language grants UGA carte blanche to the intellectual property of its faculty inventors.

Armed with the original patent agreement language, UGARF ordered Dr. Kaswan to sign patent assignment forms transferring to UGA, “for other consideration,” all rights to her patents. With her university employment hanging in the balance, Dr. Kaswan had to comply. For the current generation of UGA faculty inventors, the UGA Patent Policy now in force offers even less protection. The current policy is a contract of adhesion that can be unilaterally modified by the university.

Every year, thousands of researchers sign similar patent agreements and assignments with little understanding of the future implications of this complex legal maneuver by their university. The U.S. Patent Office requires a transfer of title from inventor to assignee that directly conflicts with university intellectual property policies,



which promise a shared ownership between university and inventor. However, once a patent assignment is filed with the U.S. Patent Office, ownership and discretion is vested solely in the assignee and the inventor has no legal recourse. This inconsistency could undermine the entire technology transfer system and has major public policy implications.

Attorneys for pharmaceutical giant Allergan used this loophole to lure UGARF into a secret renegotiation for future royalties on Restasis®. At Allergan's insistence, Dr. Kaswan, the inventor and leading expert on the drug, was excluded from renegotiation discussions, allowing Allergan to entice UGARF to monetize its royalty rights at a bargain basement price. UGARF unknowingly traded away hundreds of millions of dollars in future royalties Dr. Kaswan had previously negotiated with Allergan. Allergan's legal defense relied upon the text of the patent assignment agreement to claim that the inventor had no right to object, even if the deal was deemed to be unreasonable or as the judge said, "stupid".

If the patent system had allowed Dr. Kaswan to retain any rights to her invention, excluding her from renegotiation talks would not have been possible. Consequently, the university's royalty income would not have been reduced by hundreds of millions of dollars.

Dr. Kaswan sued Allergan for tortious interference with her employment contract and fiduciary relationship with UGA. In its summary judgment, the court found that "As to the claims that UGARF and Allergan have committed fraud, tortious interference, or benefited by unjust enrichment, or fraudulent conveyance and conspiracy...the patent policy, the intellectual property policy and the invention administration agreement vest in the University of Georgia Research Foundation wide discretion in how it will administer the inventions and patents created by the energy of the faculty and staff of the University of Georgia."

Allergan argued that "the covenant of good faith and fair dealing can't be used to contradict the language of the express agreements...these agreements said that UGARF had the sole discretion." The court further stated, "No doubt many faculty and staff may be dissatisfied...but...the employee assignment of the patent vests the decision making authority to the University..."

Like Dr. Kaswan, many university researchers are required not only to relinquish the rights to their discoveries, but to do virtually anything the university demands to advance the commercialization of their discoveries. This language from the patent agreement of the University of California of San Diego is typical: "I shall execute any documents and do all things necessary...to assign to University all rights, title, and interest therein and to assist University in securing patent or analogous protection thereon." Further, most university patent and copyright documents fail to specify circumstances where faculty are entitled to retain ownership rights in works developed outside of their assigned university duties.

The University of Michigan goes a step further, asserting ownership over "Intellectual Property made...with the direct or indirect support of funds." Their policy goes on to define funds as those "administered by the University include University resources, and funds for employee compensation, materials, or facilities. Should being paid for their employment cancel out their rights in their research products?"

In Dr. Kaswan's case, it is clear that UGARF believed their Intellectual Property Policy precluded her right to participate in the commercialization of Restasis®. UGARF's attorney John K. Larkins, Jr. summed up the university's position when he stated in court, "There's nothing in the agreement that says our right to commercialize is limited by a duty to the inventor. She doesn't get a chance to veto. She doesn't get to do anything."

Until research universities are held accountable to ensure consistency between their stated purpose and their actual policies in practice, innovation will suffer, and the public with it.