

PROTECTING YOUR TECHNOLOGY WHEN DOING BUSINESS WITH DEVELOPMENT PARTNERS

PRACTICE & PROCEDURE

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Achieving your Technology Protection Goals:

What is our plan for today?

- Understand the basics of JD* relationships
- Practical living under your agreement
- Why deals go bad and avoiding problems

* *JD = joint development*



Congratulations, you've found a development partner.

- To make and sell equipment, raw materials, specialty chemical products
- To make the relationship work
- To protect our current technology
- To establish a proprietary stake in the new developments

Challenge: To balance all this



Congratulations, you've found a development partner.

- To make and sell equipment, raw materials, specialty chemical products
- To make the relationship work
- To protect your background technology
- To establish a proprietary stake in the new developments

These are about protecting IP.



IP Protection Goals:

- To stop unintentional loss of know how
- To avoid losing IP rights
- To avoid unknowingly watering down your background IP rights
- To protect/own new developments in a commercially meaningful way

How do we do all this?



IP Protection Goals:

- To stop unintentional loss of know how
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Your agreement should address these objectives, but your conduct under the agreement is just as crucial.

"It's not enough to know the rules. You have to play by the rules with skill."



Achieving your ~~Technology~~^{IP} Protection Goals:

What is our plan for today?

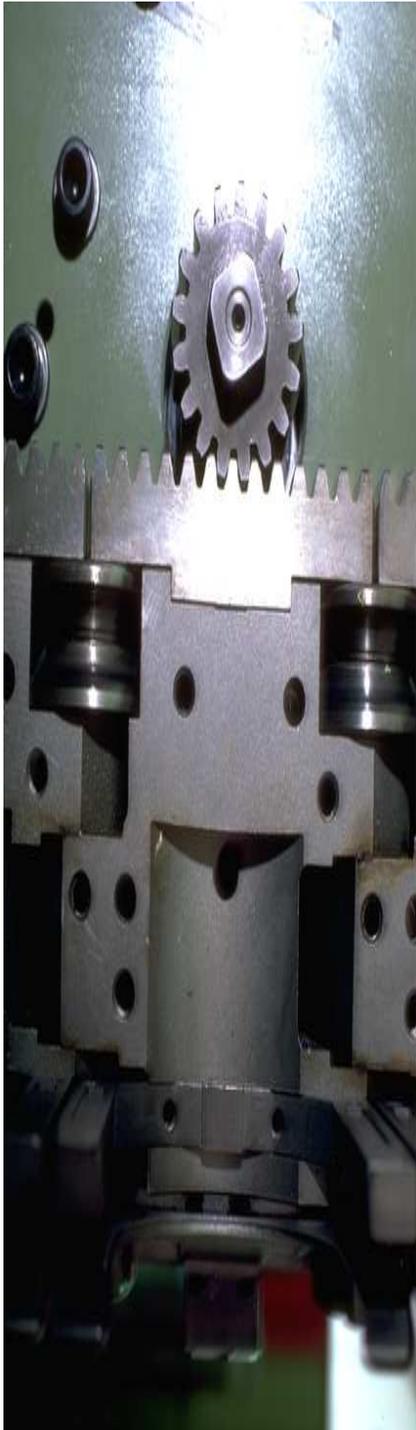
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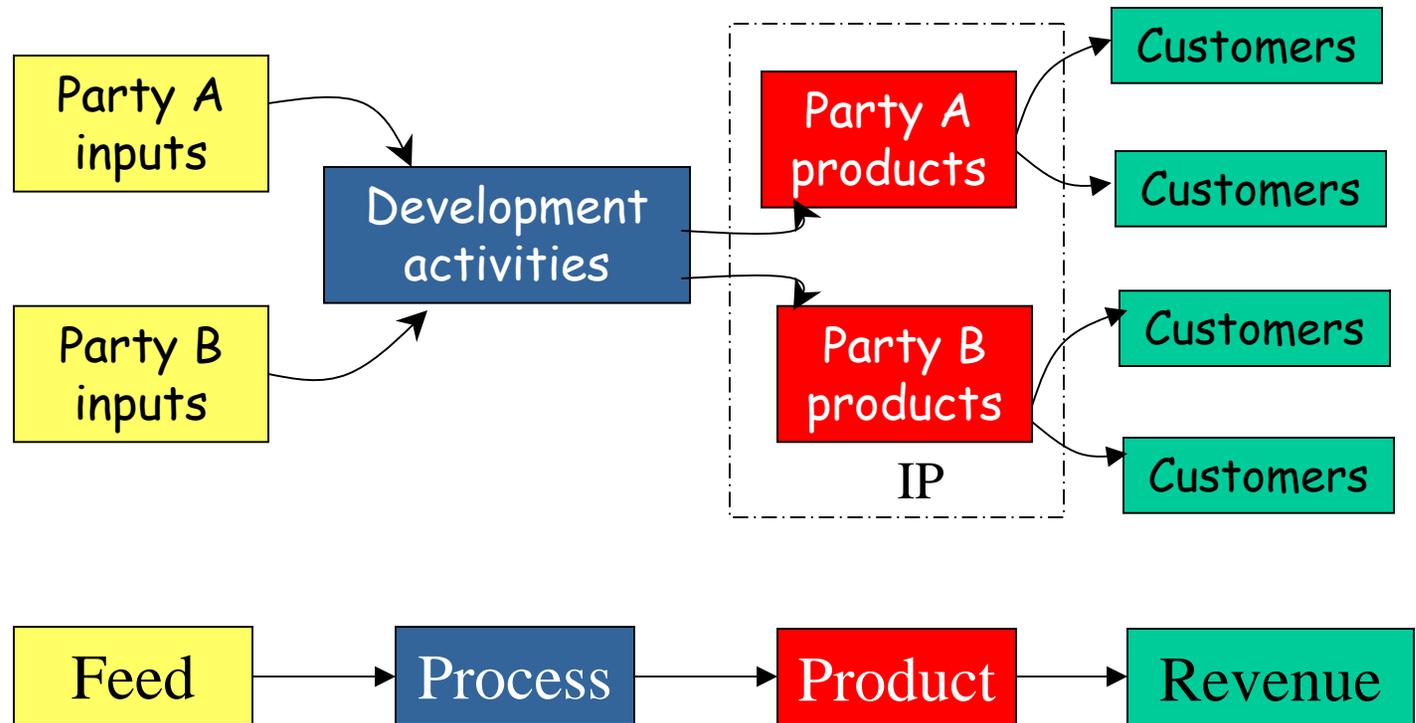


Basics of JD relationships

- From a business/technical perspective
- From a legal perspective
- JD Checklist is helpful tool to integrate two perspectives
- Sample Agreement
- Sample JD relationship



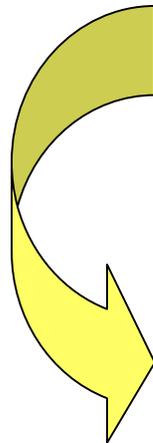
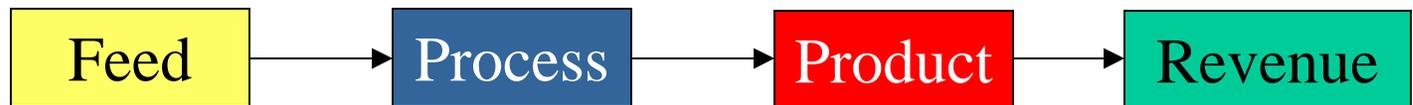
Basics of JD relationships from a business/technical perspective



A joint development relationship is more like an industrial process than any other IP relationship.



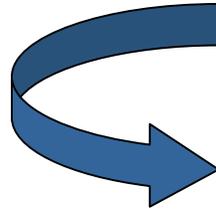
Basics of JD relationships from a business/technical perspective



- Background IP
- Expertise/Know how
- Facilities/resources
- Personnel
- \$\$
- Development concepts and specifications



Basics of JD relationships from a business/technical perspective



- Action items/duties
- administration
- IP protection
- timetables
- \$\$
- More Development concepts and specifications

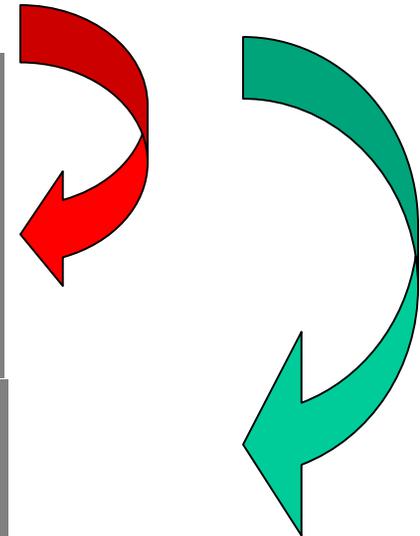


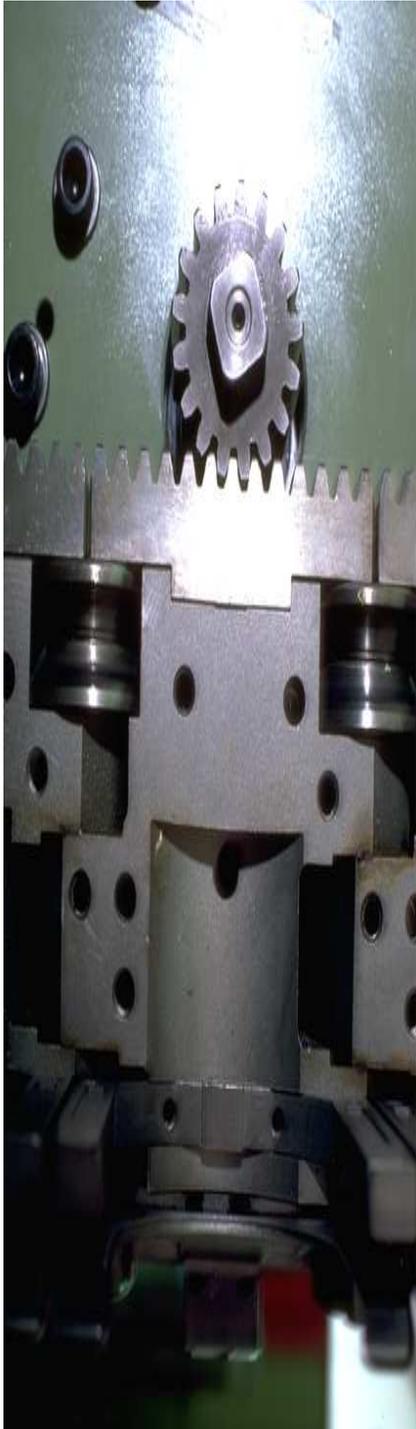
Basics of JD relationships from a business/technical perspective



- Products that A will sell
- Products that B will sell
- Customers, fields, territories

How does each party intend to earn \$\$ in the market if the development is successful?





Exemplary JD relationship from a business/technical perspective

ACME manufactures and markets an existing migraine medicine containing Megamogaphen dispersed in peanut butter.

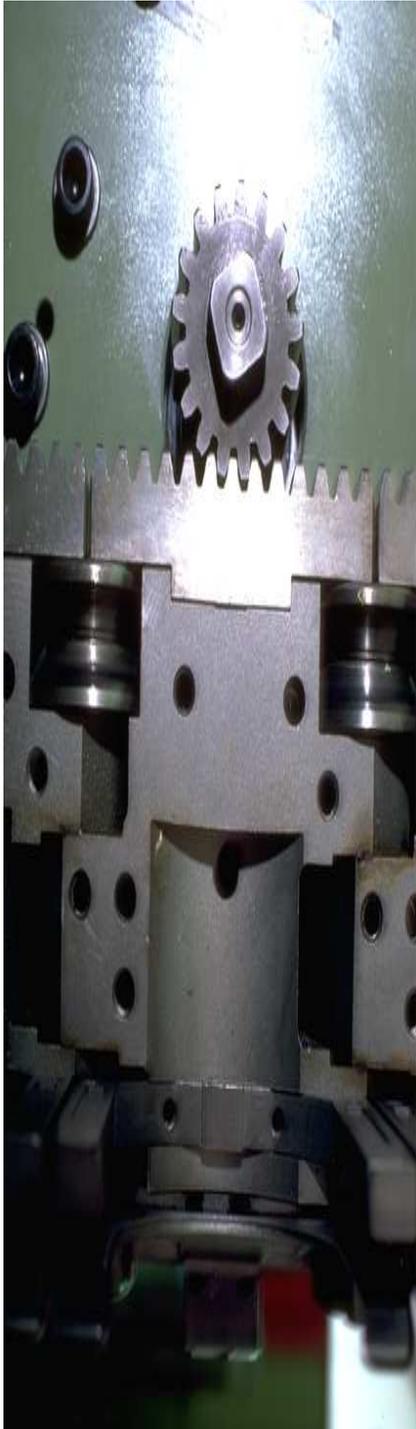
ACME's medicine is going off-patent soon and will be vulnerable to generic drug makers. An improved form would be desired:

Faster acting

Longer lasting

Less allergenic

**Megamogaphen PB for
migraines.**



Exemplary JD relationship from a business/technical perspective

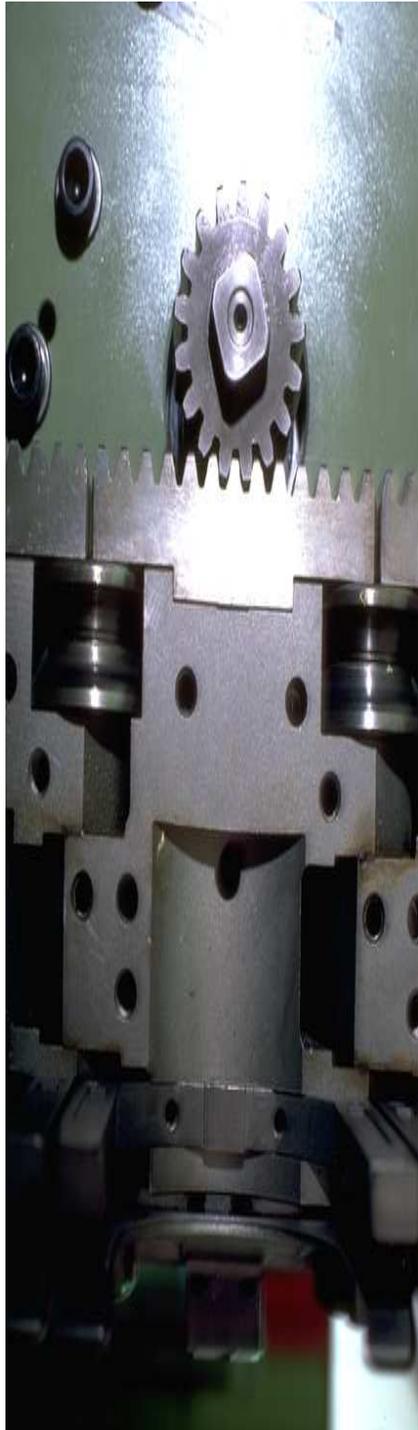
NORMAN manufactures and markets drug delivery matrices and has developed a new peanut butter composite.

NORMAN's new composite is likely to have many medical applications, and its initial research suggests its new composite would be a great carrier for **ACME'**s Megamogaphen.

NORMAN PBSYN 1000 Composite
drug carrier

plus

Megamogaphen PB for
migraines.



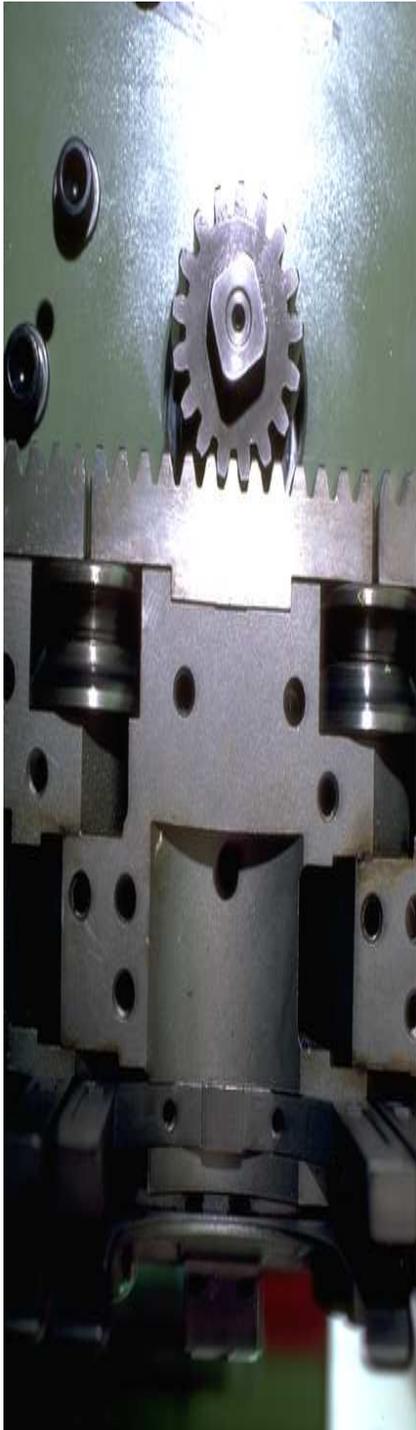
Cinderella
Exemplary JD relationship from a
~~business/technical~~ perspective

Megamogaphen PB
for migraines.

NORMAN PBSYN 1000
Composite drug carrier

NORMAN would have wanted to sell its composite to **ACME** as well as to other customers, but will agree to sell only to ACME for use with megamogaphen for migraine treatment.

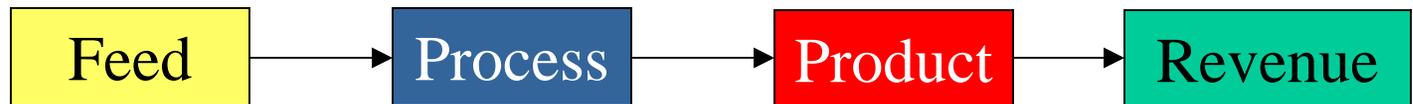
ACME would like to be the only one using the new composite, but settles on being the only one to use the composite in combination with megamogaphen in the migraine treatment market.



Exemplary JD relationship from a business/technical perspective

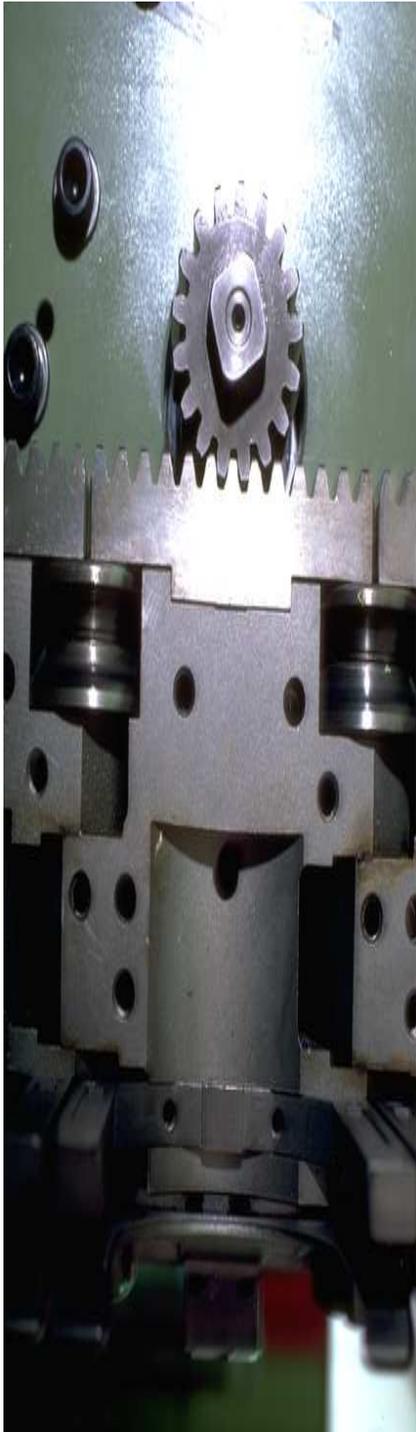
Megamogaphen PB
for migraines.

NORMAN PBSYN 1000
Composite drug carrier



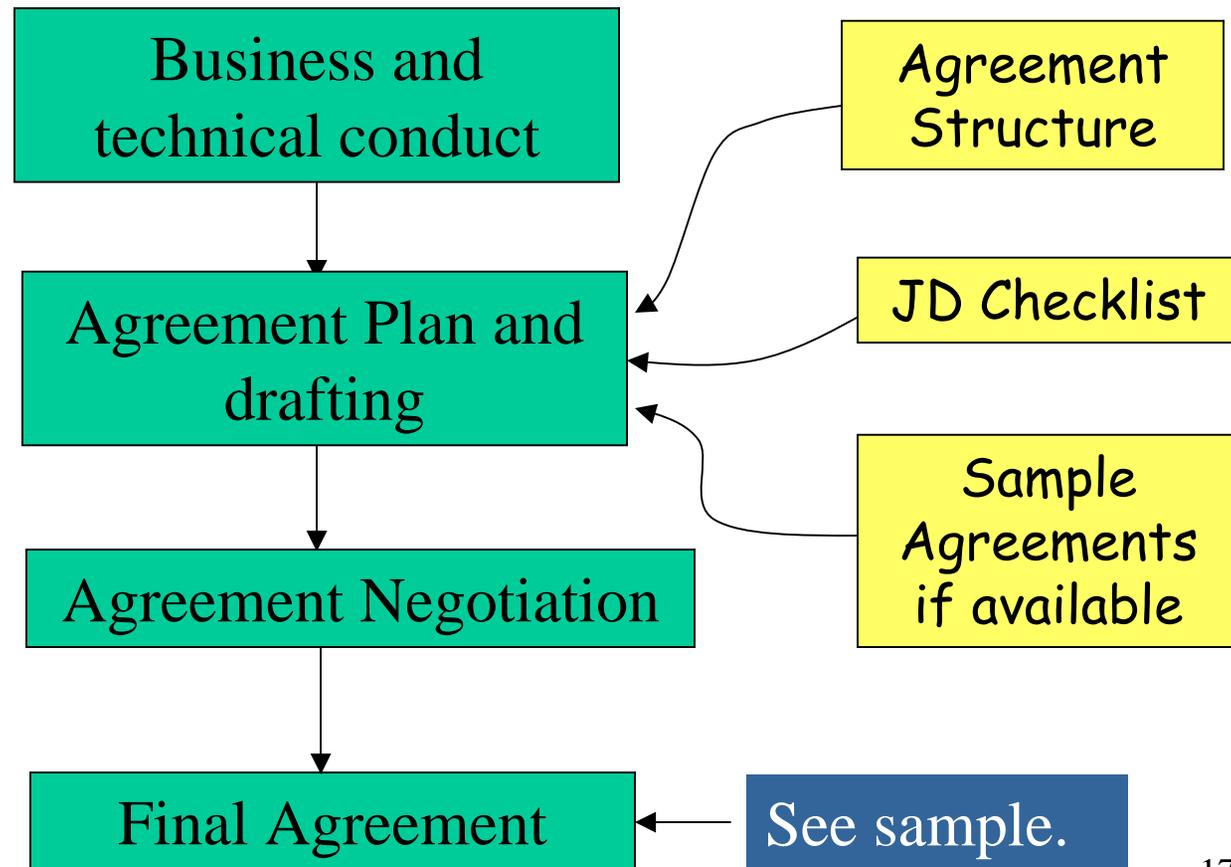
Note how this perspective focuses entirely upon conduct of NORMAN and ACME, not upon legalese

The next step is to convert this model into the legalese of an agreement . . .



Basics of JD relationships from a legal perspective:

It is attorneys' job to craft a joint development agreement that matches the planned relationship.





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Practical living under JD relationships:

- Avoiding agreement foibles
- Impertinence of being earnest
- Privilege Praterfalls

IP is at risk in any of these circumstances.



Agreement Foible #1

Jumping into the project without an agreement

- Convoluted ownership of developed IP
- “Vendor lock”
- Blocked access to developed IP
- Loss of trade secret protection
- Loss of invention rights
- Higher prices for proprietary raw materials
- Increased risk of litigation . . . And more

LESSON: Plan ahead.



Agreement Foible #2

Jumping into the project with a **bad**
agreement

- (Sample enclosed)
- Loss of IP rights without fair compensation
- Restricted market access
- Overbroad warranties and indemnification obligations

LESSON: Plan ahead. Work under a good Agreement.



Agreement Foible #3

Failing to know your agreement

- What you need to know: scope of project; protocols for administering communications; protocols for handling IP
- Otherwise:
 - Loss of IP rights
 - Risk of litigation
 - Convoluted ownership of IP
 - Blocked access and vendor lock

LESSON: Plan ahead. Work under a good Agreement. Know your agreement



The impertinence of being earnest: *Managing Communications*

- If an idea comes to you, keep it within your company until you decide whether to protect with patent(s) or not
- Avoid proposing solutions until your origination of solution is documented
- Don't forward advice or conclusions of counsel without advance consent of appropriate authority

**For each interaction, define boundaries
for discussion**



The impertinence of being earnest: *Managing Communications*

- Not a license to spill your guts
- Assume (not necessarily reality) that information you transfer is freely available to your arch competitor
- **LESSON:** Manage and plan communications.

Exchange info on a **NEED TO KNOW** basis.



The impertinence of being earnest: *Managing Communications*

- Brainstorm sparingly in joint meetings.
- Exchange data, not ideas
- Exchange facts, not ideas
- Recognize danger of
 - What if . . .
 - How about . . .
 - Wouldn't it be better if . . .



The impertinence of being earnest: *Managing Communications*

- Should you encourage or allow the other side to spill its guts?
- Yes
- And no.
- Temptation is there, if it relates to your problems
- But, can poison ownership rights of the solution



The impertinence of being earnest: *Managing Communications*

- When other side enters gut spilling mode:
 - Be ready to stop that discussion and shift back into comfort zone
 - Be especially alert if information overlaps your own research efforts
 - Be especially alert if the overlapping information is provided to you under secrecy obligations

LESSON: Manage incoming info



The impertinence of being earnest: *Managing Communications*

- Avoid commenting upon third party patent rights
- Be wary of misuse and antitrust traps:
 - Pricing and price fixing
 - patent pooling
 - predatory cooperation
 - Market allocations



The impertinence of being earnest: *Managing Records*

- Keep good research and project records
- Document ideas, solutions, results
- Record where, who, what, when, why
- Paper trail to establish ownership of ideas
- Be careful what you put in writing
 - look like an angel
 - avoid drawing legal conclusions



Privilege Prattfalls

- Attorney Client Privilege
- Attaches to communications with your attorney
- Important in litigation
 - internal documents must be made available to the other side for inspection and study
 - Exception: privileged documents
 - Privilege can be attacked



Privilege Prattfalls

- Bad for privilege: getting attorney involved only at the end
- Better: get attorney involved at beginning
- Attorney to serve as communication terminal
- When: strategic and tactical decision-making: plans, agreements, marketing shifts, aggressive tactics, etc.



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Why do deals go bad?

- No agreement
- Bad agreement
- Don't know agreement
- Incompetence
- Fraud/evil party
- No more \$\$
- Unforeseen circumstance
- Change in management/objectives
- No exit strategy
- Misuse of IP

Not all deal problems lead to litigation. But resolving problems can be expensive no matter what the forum.



Avoiding problems

- Pick your partner carefully
- Keep IP protection goals in mind
- Protect IP
- Have a good agreement
- Know your agreement
- Manage communications
- Keep good records
- Protect attorney client privilege



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- Protect attorney client privilege
- Make lots of \$\$

Protecting Your Technology When Doing Business with Development Partners

Practice & Procedure

Thanks!

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