

NCURA Neighborhoods Online Chat
The International Dimensions of Contracting, IP, and Technology Transfer
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Featured Guests:

Jim Casey, Attorney at Law, Member, NCURA Board of Directors, Co-Editor, *NCURA Newsletter*;
Malcolm McBratney, Partner, Intellectual Property Group, McCullough Robertson, Brisbane, Australia; **James Zanewicz**, Director, Office of Technology Transfer, University of Louisville

Moderator

Welcome to today's chat on the International Dimensions of Contracting, IP, and Technology Transfer sponsored by the international research administration neighborhood. Joining us today to discuss these issues are Jim Casey, Malcolm McBratney and James Zanewicz. Before we get started here is some biographical information on our panel:

Moderator

Jim Casey is presently a Visiting Professor of Leadership at Upper Iowa University in Hong Kong, China, where he is teaching undergraduate courses in international business economics and critical thinking to Chinese students. He is currently a member of the NCURA Board of Directors and a co-editor of the NCURA Newsletter. In January 2008 he begins a two year term as Chair of the NCURA International Neighborhood. He has been a member of NCURA since 1995 and a member of the Wisconsin Bar since 1990.

Malcolm McBratney is the head of the Corporate Division and head of the Intellectual Property Group at McCullough Robertson Lawyers, a leading Australian law firm. In that role, Malcolm and his team regularly advise research institutes, universities, government and private and public companies on intellectual property protection and commercialisation. Malcolm is also known for his personal victory over McDonald's Corporation in the "McBrat" trade mark dispute.

James R. Zanewicz, J.D., LL.M., started the Office of Technology Development at the University of Louisville in December of 2000, and guided the office's development and growth into the Office of Technology Transfer. His career has included bench research as a chemist for Rhone Poulenc and handling internet, multimedia, production and intellectual property issues for Warner Bros syndicated daily newsmagazine EXTRA. He chairs the Technology Transfer Committee for Biotechnology Industry Organization (BIO) and the Bayh-Dole Sub-Committee for Association of University Technology Managers (AUTM), but his proudest achievement is his involvement as a disaster services volunteer during Hurricane Katrina for the American Red Cross.

Moderator

So, let's get started. Gentleman, what are the major international dimensions of contracting, intellectual property, and technology transfer?

Jim Casey

This list is representative but not exhaustive, as local circumstances may dictate additional/different considerations: legal provisions (IP, liability/indemnification, choice of law/conflict of laws), legal and regulatory differences between countries in the areas of IP and tech transfer, different best practices, management styles and institutional goals of U.S. and non-U.S. institutions, export control laws of the U.S. and elsewhere, and the linkage between export control and the licensing/commercialization of technology. It is also essential to point out that social and cultural differences can lead to different approaches to contracting, IP, and technology transfer.

Steve Atkinson

How have institutions designed or redesigned their research websites to effectively use this vehicle to create transparent services for the PI and international collaborator(s) and their respective institutions?

Malcolm McBratney

In Australia at least the universities and research institutes are using their websites as online advertisements for their technology. They are also facilitating online collaboration via rooms for sharing data and discussions. Not rocket science however.

Jim Zanewicz

At Louisville, likewise, we have included a searchable database on our disclosures and this has led to discussions on collaborations.

Steve Atkinson

How have institutions blended policies, procedures and processes of multiple service points (fox example, sponsored programs, IP/tech transfer office, contracting services, legal affairs, and a center for international education) to support joint international research collaborations?

Jim Zanewicz

We have used an inter-institutional agreement just like we would with our us collaborators...one party takes the lead, and all terms are worked out in advance

Malcolm McBratney

Same in Australia - we seek to put in place multi-party agreements covering off the key issues, often this is coordinated thru the tech transfer office

Jim Casey

This is where communication is so essential. Not only the agreements, but constant communication between the offices with blended services as key. Same with linkages between the different web sites in a given university.

Malcolm McBratney

Not all research institutes/universities in Australia have tech transfer offices and this can mean a less coordinated approach

Moderator

Malcolm--how is tech transfer different in Australia than the US? If that all?

Malcolm McBratney

Not really that different, we don't have bayh- dole, but we do have a lot of federally funded research

Moderator

So, without bayh-dole is things challenging??

Malcolm McBratney

The position here in most cases that the universities owns the IP. The trick then is to do something with that IP, that is where the tech transfer office comes in

Moderator

Jim Casey: Are there any current disputes between the United States and China in the area of IP?

Jim Casey

Yes. In April 2007 the U.S. filed an IP rights case with the World Trade Organization (WTO) to pressure China to more strictly enforce its IP rights laws (and give American companies greater access to the Chinese market). The Chinese have admitted that rampant IP violations (copyright violations and piracy) are occurring in their country, and claim the destruction of over 70 million counterfeit items in 2006. This case is still before the WTO. Some of this may be cultural, too. I am told by people in Hong Kong that IP theft is considered a form of flattery much like students not citing the use of other people's work (what we in the West would call plagiarism). People in the West have a different take on this, obviously.

Malcolm McBratney

Australian organisations also face these China issues. They have to deal with China economically if they want anything made but worry about IP still

Jim Casey

Many people here that I know don't see anything wrong with piracy since it is a form of flattery.

Moderator

Malcolm--How does Australia's patent grace period work compared to those overseas, especially the United States?

Malcolm McBratney

Australia introduced a grace period a couple of years ago, before that we had none. We have a first to file not first to invent system

Jim Casey

Australia has a growing export relationship with China.

Moderator

Jim Z: How does the US feel about the efforts to modify your patent system, including harmonization with the first to invent system used around the world?

Malcolm McBratney

So that means it is important to key lab note books and the USA remains a key market. Of course the EU has no grace period so we still tell people not to rely on the grace period unless they have to

Jim Zanewicz

It follows on this very issues, patent reform in the US is looking at harmonizing with most of the world...taking us from a first to invent to a first to file system. Many US Universities, and companies, feel strongly that the US should not change to this system...without first getting at least a 1 year grace period in all other countries

Ashley Turbeville

Is Australia successful in leveraging IP into University Spin-Offs?

Malcolm McBratney

Ashley, Australia has been in recent years increasingly spinning out companies, some have been successful, some have not. We see some now listed on the stock exchange

Ashley Turbeville

What is the ratio?

Malcolm McBratney

Ashley, we have seen a decline in spinouts of late

Malcolm McBratney

Universities have understood that a research project in a company does not of itself make a company. We are now seeing more license deals less spin-offs

Moderator

Jim Z: How does the US Bayh-Dole system affect the ability to commercialize a technology overseas?

Jim Zanewicz

Bayh-Dole requires US manufacture unless you make a strong argument to the government why an exception should be made. Therefore, there is a process of hoops you must jump through to have foreign manufacture of IP developed under Bayh-Dole.

Ashley Turbeville

Do you find that it is difficult to work with US Universities or more difficult to work with other overseas universities? What are the problems you face?

Jim Casey

I think that difficulty exists everywhere, and the laws are of course different. In the end, if people want to make a deal, they can generally find a way.

Malcolm McBratney

Ashley we find it is the skill and experience of the tech transfer people in the univ that makes the difference not the location

Moderator

Jim C: what about issues with translation?

Jim Casey

There isn't really an issue with translation here in Hong Kong, but I know that in Mainland China that is a major issue. English fluency up there has its ups and downs.

Moderator

Is it the spirit of the agreement or letter of the law? Who's law applies

Jim Casey

Choice of law clauses should be in international agreements.

Malcolm McBratney

We did have an agreement amended to make it subject to the laws of the university of Florida once!

Jim Zanewicz

Those clauses do cause a good deal of heartache for US State - or public - U's.

Jim Zanewicz

We must have our state law apply and often this can be the deal breaker.

Malcolm McBratney

Ashley, in Australia we often find us organisations won't agree to the law being other than the US even if all the work is happening in Australia

Jim Casey

State laws in the U.S. can be really troublesome in sealing deals.

Ashley Turbeville

Is anyone finding that their overseas licensees are deducting withholding tax prior to making a royalty payment?

Malcolm McBratney

Ashley, it certainly is an issue and the agreement needs to deal with whether the licensee can or cannot withhold

Malcolm McBratney

In Australia for example, we do have a 10% withholding tax on royalties and it is important to deal with whether the licensee must pay the royalties net or gross of this amount - it also depends on where the licensor is and what double tax arrangements are in place

Moderator

Jim Z: What are areas where you see tremendous advantages in using the resources of other countries for research?

Jim Zanewicz

We especially see advantages with Clinical Trials..... Foreign countries with socialized medicine often have the perfect patient populations.

Well documented, already collected, and often an easier regulatory process... and - with Canada - the US FDA will accept results from these studies just as they would a US Patient population.

Malcolm McBratney

In the biotech space, sometimes you need access to different genetic pools - so we often find down here that people want access to the Tongan or Maori population or our aboriginal population also in the mining space we have significant coal and other resources so a lot of mining R&D happens here as a result

Jim Casey

I think it is important that universities advertise their advantages to their colleagues, and that can serve as the basis for finding common ground to work.

Ashley Turbeville

I would see where Clinical Trials would be an advantage since we have a Medical College here.

Ashley Turbeville

Malcolm--Have you found this to be a walk-away or breaking point in the agreement?

Malcolm McBratney

Ashley, not a breaking point at the end of the day it's a dollar issue - it can be grossed up to pay 100% to the licensee or you change the rate to take account sorry 100% to the licensor

David Brady

Does your technology transfer unit market information under invention disclosures, provisional patent applications, or patent application information to interested foreign parties? If so, how and at what point do you deal with export laws when marketing this information?

Malcolm McBratney

David, we don't really have export issues here in Australia unless we are talking WMDs or other scary stuff so its not much of a problem for us

Jim Casey

I was waiting for export issues to arise...

Jim Zanewicz

We do at Louisville, and deal with trying to investigate such things at the point where negotiations get beyond "informational" and begin to get "serious".

Moderator

Malcolm: Are there any peculiar Australian laws or practices relevant to doing research or tech transfer in Australia or in collaboration with Australian organizations?

Malcolm McBratney

Not a lot really. if you want to do clinical trials here you either need a local sponsor or an Australian subsidiary - I've recently set up both for US companies doing trials here our IP laws are fairly standard and most universities practices are the same. Some universities (not many) still allow their staff to own their IP

Moderator

Gentleman: What are the special legal considerations when entering into collaborative types of agreements with foreign sponsors and where said research will be conducted abroad?

Jim Casey

Special legal consideration definitely include export control issues where research is involved, as well as circumstances involving faculty giving papers in foreign countries not terribly friendly to the U.S., like Iran. This was a subject that came up on the international neighborhood listserv not too long ago.

Moderator

Gentleman--are export controls or related laws big challenges outside the US? If so why not?

Jim Casey

I think also that issues pertaining to student work on projects can be important.

Malcolm McBratney

We of course talk about national risk and the rule of law when doing overseas deals. you can have the best contract in the world but if you can't enforce it then what is the point sometimes?

Jim Zanewicz

Export controls, of course, can cause major headaches for us in trying to decipher. Especially when the agency promulgating them can't tell you if the research they have funded is covered or not, and leave you to try and determine that on your own!

Ashley Turbeville

Malcolm--Is it true that a significant percentage of Australian Universities patent portfolios deals with inventions related to crops?

Malcolm McBratney

Ashley, there are certainly a lot of crop related inventions here as we have a large ag industry, but I'm sure its less that the USA. We have a lot in mining, health and medical research and also animal related science

Moderator

What about research on foreign campuses overseas? What is the impact?

Jim Casey

My impression is that the federal advice being given to U.S. universities can sometimes be inconsistent.

Jim Zanewicz

Agreed!

Jim Casey

I know that more US universities are creating foreign campuses, and in so doing are wading into all these areas.

Ashley Turbeville

Jim, Do you have special software used to determine if the research funded is covered or not? How do you determine? Any good ideas to pass on? Regulations are hard sometime to understand.

Jim Zanewicz

No - it really is a best guess. We will often try and "CYA" by telling the agency that we view it as not covered in advance. Whether that would ever hold up if they disagreed down the line.....

David Brady

How do you deal with tax liability in international collaborations in which you have an overseas presence- say setting up a foreign campus? Reciprocity agreements? Do your retain tax specialists knowledgeable with the tax laws of the collaborating country?

Jim Zanewicz

It IS one of the most complex, and frustrating issues around.

Malcolm McBratney

David, we suggest local tax advice is always needed as the laws are so different

Jim Casey

Hiring local tax specialists to deal with tax liabilities in international collaborations seems to be the most common route.

Moderator

What about faculty presenting papers at conferences held in countries not terribly friendly to the United States, such as Iran?

Jim Casey

This definitely wades into export control issues. My impression that it is a lot of work to get approval, and some schools will find that it is worth the effort and others will not.

Ashley Turbeville

We are applying for a new type of partnership with a French University. Faculty and Students will come here and our faculty and students will go there. The foreign university from my understanding is non-chalant regarding patents. The research may produce one. Your thoughts?

Jim Casey

Get as much ownership as you can, Ashley! :-)

Malcolm McBratney

Ashley, I think you have to assume there will be valuable IP resulting and agree on IP ownership upfront - otherwise you could create the cure for cancer and be held over a barrel

Ashley Turbeville

I agree but my faculty don't seem too worried!

Jim Casey

Like everything else, you have to estimate what is the percentage chance of actual IP resulting from the work.

Malcolm McBratney

Ashley, I agree - often the faculty see the tech transfer/lawyers "getting in the way of the science"!

Moderator

Is the world "Flat" for science, or are we still seeing segmentation based on countries or world regions?

Malcolm McBratney

Flatter for some rather than others! There are countries you want to go to and those you don't

Jim Zanewicz

We are seeing more and more collaborations across global lines, but also more and more "It's Mine".....with Industry collaborators often playing us against each other.

Jim Zanewicz

It's important for us to stick together versus competing whenever we can.

Jim Casey

Sitting here in Asia, I see a lot of regionalism happening. Meaning, I can see a block growing between China, Australia, Hong Kong, Malaysia, Singapore, etc. Australia does more work with China now than the U.S.

Moderator

How do global companies fit into the research equation with US universities? Or other schools in other countries, that is, what on the horizon?

Jim Casey

I think that the UIDP is struggling with that sort of question right now. U.S. universities need to be more aggressive in securing work with global companies.

Moderator

Jim what is UIDP?

Jim Casey

The University-Industry Demonstration Partnership is a project under the auspices of GUIRR at the National Academies www.uidp.org Built on the example of FDP but for enhancing university-industry partnerships.

Malcolm McBratney

You have to deal with the big global companies if you want to do a deal at the end of the day - negotiations are often tough when dealing with the big gorillas!

David Brady

This may only be a problem for US schools operating under state restrictions in the US, but how do you deal with foreign collaborators who insist on payment in foreign currency- particularly with the dollar fluctuations these days?

Grace Nogan

Ditto - how have other Universities handled fluctuation in exchange rates in agreements with foreign institutions and companies?

Jim Zanewicz

We actually haven't had that..... But I can see how our counsel and risk management people might make it a deal breaker.

Jim Zanewicz

As a public U, we have never varied from a set US Currency value.

Moderator

Seems exchange rates are a quagmire...

Malcolm McBratney

With the Aussie dollar strengthening against the greenback, we are looking forward to the equation going the other way!

Jim Casey

I haven't had that issue yet, but the Hong Kong dollar is pegged to the U.S. dollar with a slight range for fluctuation.

Grace Nogan

Some companies want a clause in agreements if currency fluctuations vary by more than a certain % - say 5%.

Malcolm McBratney

Seriously though, it is causing our exporters problems and some have come unstuck by not having protective clauses

Ashley Turbeville

Is it not true that global companies may be able to perform research that is frowned upon here in the US, for example, stem cell research?

Malcolm McBratney

Ashley, yes by way of example some states in Australia (but not all!) allow stem cell research, but under strict rules

Jim Casey

Ashley, you are correct.

Moderator

Malcolm-Does the Australian government-obtain rights to IP generated under government funded research?

Malcolm McBratney

No the Australian government doesn't get rights just by funding unless there is a contractual provision doing so we don't have a bayh-dole arrangement our state and fed governments do sometimes want to see Australian benefit in terms of jobs, head offices, IP owned here, etc

Jim Casey

It seems to me, Malcolm, that the Australian government is pushing more university-industry partnerships, correct?

Moderator

Malcolm-How do Australian organizations handle their interactions with their US, European or Asian counterparties?

Malcolm McBratney

Jim, that is very much correct. we even have a federally funded system here of cooperative research centres where the fed government gives \$ to universities to collaborate with industry

David Brady

Do you usually engage in fixed price or cost reimbursable contracts with international partners? Are you comfortable with either?

Malcolm McBratney

We also have various grant schemes here where you can get funding for an industry linked r&d project

Jim Zanewicz

We can be comfortable with fixed price if a) it is very narrowly defined and b) we trust the faculty researcher involved and their ability to be fiscally responsible. It is not something we prefer as a common practice, but can be an exception.

David Brady

Grace- re the currency fluctuation fund you discussed- how does it work, does it kick in an automatic renegotiation of the price?

Jim Casey

My impression of working with Australians has always been positive.

Ashley Turbeville

Malcolm - How many patents come out of these partnerships?

Malcolm McBratney

Ashley, quite a lot of patents, one of my CRC clients spun out a company based round a patent, it then floated on the stock exchange and recently merged with another listed biotech creating a \$300m plus listed biotech - small by world standards but not bad in Oz

Grace Nogan

We are just in the process of negotiating this. I don't know if our University will tolerate such a clause - it adds uncertainty and unknown dollar commitment

Jim Casey

I think that both types of contracts are useful provided they are narrowly tailored to achieve the objectives of the projects.

Moderator

Jim C-What about licensable technology generated from fundamental research as publicly available and hence excluded from ITAR and EAR? Stanford University treats this situation that way. What about other institutions?

Jim Casey

I think that other schools look to Stanford as a strong example.

Ashley Turbeville

Are Universities in Australia allowed to hold equity in spin-offs?

Malcolm McBratney

Ashley, yes they are and many do - there have been some notable successes and many spin-offs that never see the light of day

David Brady

Malcolm, we have recently had a number of commercial agreements with Australia fail over the issue of governance, and the Australian collaborator will no longer accept silence on governance. Is there something new about this issue in Australia we need to be aware of? It's a deal breaker for state institutions in the US.

Malcolm McBratney

David, what was the governance issue?

Jim Casey

Malcolm, let me ask you this question: do you see any significant cultural differences in working with your U.S. counterparts?

Malcolm McBratney

Jim, not really. We are better beer drinkers of course, but otherwise much the same!

Grace Nogan

David - have you handled such issues? We have found that some Universities tolerate getting paid in US dollars w/o opportunity to renegotiate mid year while others want to bill for gain/loss based on current currency rate. We are particularly having challenges w/ for-profit firms (understandably so).

David Brady

Malcolm, US states can't accept governance by the laws of Australia. We can agree to be "silent" (don't specify governance by US or Australian law, and leave it for courts to decide), but recently several commercial contracts have "gone south" and not in a good way, because the Australian partner insists on Australian law.

Ashley Turbeville

What are the top five problems/road blocks/issues that people face with international collaborations and IP?

Jim Zanewicz

As we've seen today #1 - Export Controls.

Malcolm McBratney

David, yes we of course prefer local law but I advise my clients to be realistic, do they want the deal or not even if they insist on Australian governance, they still need to go to the USA to sue anyway, so why fight it?

Moderator

Seems export is mostly a US issue though

Jim Zanewicz

True- but in international collaboration, problems are mainly due to the vagueness.....more so than the rule itself knowing WHEN it applies, and how.

Jim Casey

Here are three, in no particular order: 1) export control issues and IP licensing; 2) meshing goals together (and getting to yes); 3) unrealistic expectations.

David Brady

Grace, we're working one out now with EU and a fluctuation fund- what school are you- I'd like to compare notes offline later

Malcolm McBratney

David, further you will find in Oz that not all of these types of collaborations see the light of a lawyers office, so they never get the advice like i just said and if they can't tick off their "Australian law" tick box, then they might get spanked by those above in due course

Moderator

Are cultural differences lessening or growing for research collaborations?

Jim Casey

Poor communication seems to be a constant problem.

David Brady

Thanks, it's nice to know there has been no sea change with respect to governance...

Grace Nogan

Top 5 - compliance regulations -which regulations to follow; legal - which laws to follow -those in Australia vs US; privacy issues - we can received info on PHI from US sites but not those from Australia and Europe; and Currency fluctuations.

Malcolm McBratney

Ashley, 1 - not agreeing IP ownership split up front, 2. agreements to agree on the specifics, 3 using a doc from the last deal without making sure it works, 4 not dealing with risk and liability properly or at all, 5 confusing the different types of IP

Malcolm McBratney

David, no sea change, just some people feeling their oats I suspect!

Moderator

Are there resources for dealing with the issues identified? Where can research administrators look?

Jim Casey

I think that research collaborations are increasing through much of the world. Australia right now is #1 in terms of receiving NIH funding outside the U.S. The UK and Canada, are second and third. This was brought out at a conference in Surfer's Paradise last July that Malcolm was at with me.

Malcolm McBratney

Jim, I think Australia benefits from English language, rule of law, top shelf research and researchers, ease of doing business and great beaches

Grace Nogan

A 5th problem - is non-US sites lack of familiarity w/ NIH regulations regarding financial administration of funds.

Jim Casey

The International Neighborhood on the NCURA website is a nice and growing source of information on international issues. I formally take over as chair of the neighborhood on January 1, and one of my goals is to continue increasing resources on the site.

Malcolm McBratney

Jim, what can we do to increase those resources?

Jim Casey

We also have a listserv that you can join, and the neighborhood is the only one you can access without being a NCURA member. I have let my colleagues in Australia know that.

Moderator

The international research admin neighborhood is open to all involved in research admin
http://www.ncura.edu/content/regions_and_neighborhoods/neighborhoods/international/index.php

Moderator

Any final thoughts?

Malcolm McBratney

International collaboration is only going to increase. what we need however is more people who understand a lot of the issues we are talking about here today - ie no deal if you insist on non-US law with a US counterparty in some deals.

Jim Casey

I think that currency fluctuations is something that could be expounded on for the international neighborhood website. I'll give it some thought.

Moderator

Thanks to all our guests--Jim Casey, Malcolm McBratney and Jim Zanewicz and to Jim Casey for organizing. Good Evening.