MANAGING KNOWLEDGE ASSETS IN THE UNIVERSITY
FINAL EXAMINATION

PROFESSOR HERSEY SPRING , 2004

INSTRUCTIONS

This is a two-hour exam. It is not open book. The Exam is separated into three parts, without time limitation as to any particular part. Please use the Exam, itself, for indicating answers to Parts I and II (same as you've mastered from the quizzes ☺). Blue books should be used for the essay questions in Part III. Please note the scoring value at the beginning of each part.

PART I: TRUE/FALSE (15 QUESTIONS)
[Each correct answer is worth two points for a possible score of 30 points]

Please mark the following observations as True or False (T/F)

1. When developing policies for managing knowledge assets, the most important factor a university must take into consideration is conformity with federal law. _____

2. A knowledge asset management policy will achieve its goals if it is successful in maximizing the value of the knowledge asset to the university. _____

3. It is probably true that if a university decides not to establish an out-licensing patent program, it will not need to establish an institutional intellectual property policy. ____

4. Bayh-Dole is important to universities in considering disposition of federally-funded inventions, but it is not relevant to inventions arising from industrially-funded programs. ____

5. The major problem faced by a university in licensing a trade secret is establishing a reasonable value for it. ____

6. While federally funded research programs are an important part of any university's research portfolio, as far as developing valuable intellectual property, it is the industrially-funded research programs that yield the most important results. _____

7. While some universities believe that intellectual property developed by a faculty member while working at the university belongs to the university as a work-for-hire, the case of *Chou v. University of Chicago* says they are wrong. _____

8. An important reason why most university intellectual property policies will assert university ownership of intellectual property developed using university facilities is to avoid adverse tax consequences. ____

9. If the government has ***unlimited rights*** in a computer software program developed with federal funding it means that a university cannot assert copyright to it. ____

10. If you were representing a state university in responding to a third-party claim of patent infringement asserted against one of your investigators, one case you would not be concerned about is *Madey v. Duke.* _____

11. Qualifying for a "fundamental research" exemption is important to avoid government "march-in" rights. _____

12. A "reach-through rights" clause is an encumbrance that is commonly not found in the Uniform Biological Materials Agreement (UBMTA). ____

13. Although the practice of permitting faculty to retain ownership of scholarly materials is contrary to the work-for-hire precedents established in case law, where the practice is recognized in university policies, it will be honored. _____

14. Any university taking an equity ownership position in a start-up company will have an easier time managing conflicts of interest that may arise if it takes a seat on the company's Board of Directors to monitor the company's activities. _____

15. While the safe harbor provisions of the Digital Millennium Copyright Act and the TEACH Act both contain elements that are helpful in shielding universities from liability for certain activities that might otherwise be copyright infringing, they are limited to activities involving the digital transmission of information and do not include other copyright-related activities on the university campus. _____

PART II - Multiple Choice (15 questions)
[Each correct answer is worth 2 points for a possible score of 30 points]

There are 5 short hypotheticals below. Following each hypothetical are three multiple choice questions that are relevant to it. Please circle the best answer for each question based on the hypothetical to which it relates.

1. Jane E. Jump, Esq., a licensing attorney for High Standards University, has received an invention disclosure from Professor Wally Wistful. She is excited about the newly disclosed invention because it represents an improvement to prior inventions made by the good Professor Wistful. Ms. Jump now believes she has a package of intellectual property that has a real potential for a block-buster licensing deal. As she considers potential uses and therefore potential interested licensees, she chances to remember a software disclosure sitting in her licensing portfolio that, if added to the licensing package, might further enhance its value. As she reviews the software disclosure she takes note of the software's author, Edgar P. Scholar a Ph.D. candidate working on a research program funded by NASA under the supervision of Professor Gregory Grouch.

1-1: Jane's first step in considering whether she has a licensable package of intellectual property is to:

a. Send the software disclosure to her outside patent attorney, P.T. Cruiser, Esq. to get P.T.'s opinion as to whether the software is patentable.
b. Make sure the inventors and authors have signed High Standard's Intellectual Property Assignment Agreement
c. Find out whether Professor Grouch has an interest in pursuing a license for the software for his start-up company.
d. Review the funding agreements noted on the disclosure forms.

1-2: If Jane wishes to maximize revenue potential but is concerned that Bayh-Dole requirements might hamper her ability to successfully license the Wistful-Scholar technology package, she should make an effort to license the package:

a. Non-exclusively
b. To a U.S. company
c. To a small business
d. By separately licensing the patents and the software

1-3: In considering the advantages of whether to apply for a patent covering Edgar Scholar's software, Jane's opinion might be tipped in favor of patenting because of:

a. Ownership rights under Bayh-Dole
b. The FARs
c. The EARs
d. The work-for-hire doctrine under Copyright Law

2. Last Ditch University is about to embark on the drafting of an intellectual property policy because it has heard from its consultants, GMPK, that knowledge asset management is "in" for corporations. Although it is not a for-profit corporation, Last Ditch University would like to think that it manages itself as one. The President of the University has summoned you to her office as University Counsel and asked you to prepare a first draft of a policy. She tells you that she has heard from her presidential colleagues who are members of the American Association of Universities (AAU) that Last Ditch should have a policy, especially if the university is engaged in research funded by the federal government. She realizes that Last Ditch is way behind other schools in adopting a policy, but goes on to inform you that she is on the Board of Directors of Top Dog, Inc., which has an excellent policy in place for protecting the company's assets. She further tells you that she expects you to draft an intellectual property policy for Last Ditch that emulates Top Dog's.

2-1: In the course of the project, you review a number of other university policies along with several company policies that you have been able to access. You notice that a major legal as opposed to contractual dissimiliarity between the policies of the universities and company policies relates to:

a. Obligations on confidentiality
b. Royalty-sharing
c. Application of work-for-hire principles
d. Non-compete obligations

2-2: You realize that although the President of the university has tremendous influence and that it will be important to ensure that Last Ditch does not violate federal statutory and regulatory requirements, it is the faculty who will have to approve the new policy for Last Ditch. With this in mind, you draft a patent ownership clause which:

a. permits the faculty to retain ownership of their patents
b. defines the situations under which the university can require assignment
c. agrees to waive ownership to all inventions where the university does not file patent applications
d. avoids using hired-to-invent language

2-3: In your first draft of the policy, you have decided to include policy guidelines on conflict of interest. Upon reading your draft, the President is furious because she believes you have implied that she and others in upper management might not act in the best interests of the University. You are in trouble. To avoid losing your job, you tactfully remind the President that:

a. Conflict of interest is a federal regulatory matter
b. Conflict of interest guidelines are important for faculty who are doing research but does not affect upper management
c. Universities can lose their tax exempt status if they do not implement conflict of interest policies

d. A conflict of interest policy will help Last Ditch look like a "good citizen" to the public

3. High Peak Manufacturing Company, Inc. has approached Professor Y. Knot at your university with a proposal to fund a research project to investigate new materials useful in making rope that is guaranteed not to fray while being used for mountain climbing. Professor Knot has been doing research on different cellulose materials that might meet the standards required by the company. Professor Knot's problem is that he has several investors who have expressed interest in his achievements so far and are urging him to begin filing patent applications on the advances that he has made. Professor Knot seeks out your advice, as a technology licensing attorney, as to what his options might be. Adding to the complexity of the situation, he tells you that (i) he has used materials in his research that were supplied to him by High Peak's competitor, Tough Ropes, Inc.; (ii) he has a graduate student working with him who may be a co-inventor and also happens to be an employee of Twisty Twine Co.; (iii) he believes that some of his discoveries have been made on his own time; and (iv) he needs another $200,000 to complete his research.

3-1: Your initial response to Professor Knot should be:

a. To ask him to fill out the university's disclosure forms on what he has developed so far
b. To ask him to send you a copy of the agreement with Tough Ropes for use of their materials
c. That you will need to confirm that his graduate student has signed the university's patent assignment agreement
d. That you cannot further advise him until you see the terms of the proposed research agreement with High Peak.

3-2: Looking at the issues presented to you in Professor Knot's case, the one that seems most important to settle before moving forward is:

a. (i)
b. (ii)
c. (iii)
d. (iv)

3-3: Assuming you have to come up with some reasonable solution to the challenges presented by Professor Knot, your best plan to ensure future commercial use of the Professor's technology might be:

a. To put Professor Knot's technology into the public domain
b. To grant High Peaks, Tough Rope and Twisty Twine royalty-bearing, non-exclusive licenses to Professor Knot's technology
c. To tell the companies that you are going to license Professor Knot's technology to a start-up company and they can buy the new rope from the start-up wholesale

d. To have Professor Knot submit a proposal to NSF for a grant to finish the research and pursue a licensing strategy that doesn't conflict with the encumbrances

4. Buster Bullfrog has been given his first opportunity to try his hand at licensing educational materials outside of the university. The opportunity involves a new curriculum used in the university for teaching a series of courses aimed at developing a core competency in environmental protection of aquatic life including mammal, fish and plant ecology. The curriculum is affectionately known as "Water-Ec". Buster understands that the assets to be licensed are not patents and is a bit disappointed about that since patent licensing is his forte. Nonetheless, he is sure that since he is successful at patent licensing, the licensing of "soft" IP such as copyrights that might be involved in the curriculum should be easy. Enviro-Internet, Inc., a for-profit distributor of Internet environmental continuing education courses, appears to Buster as if it is the most attractive licensing target. He selects a sample exclusive patent licensing agreement from his archives which he believes beneficial to the university since it asks for a royalty rate of 5% of net sales of licensed products over a period of twenty years and sends it off to Enviro-Internet with a copy of the curriculum marked "University Confidential – For Evaluation Purposes Only".

4-1: It is clear that Buster has made some significant mistakes in his approach to the licensing of Water-Ec. His most harmful mistake, however, is in ignoring:

a. The fact that royalty rates for copyrights are usually on a different scale than royalty rates for patents
b. That the term of copyright protection is longer than the term of patent protection
c. That the curriculum is already in use at the university and therefore is not confidential
d. The essential elements of an exclusive license

4-2: Buster is extremely lucky that his first target, Enviro-Internet, has a full agenda as far as its Internet offerings for the next five years and does not accept his proposal. His job now safe, at least for a while, Buster decides to seek advice from you, a copyright attorney in the University's Office of General Counsel, as to how he should accommodate the fact that the curriculum is subject to copyright, not patent, law. Your first bit of advice to Buster is that he should:

a. Spend a weekend reading up on the Copyright Act of 1976
b. Do a *Google* search for copyright licenses to use as models
c. File a copyright registration for the Water-Ec curriculum before he considers licensing it
d. Review the University's copyright policy

4-3: Buster is a quick learner and his second attempt at licensing Water-Ec progresses on more solid ground. Upon receiving Buster's proposal and draft license for Water-Ec, his new licensing target, Pollywog Rescue, Inc., returns the draft with its own counter proposal. The one new term that Pollywog Rescue has added to the license which, with your guidance, Buster determines to be unacceptable is:

a. A trademark license to use the name "Water-Ec" in its marketing of the curriculum
b. An undertaking that the University will not circulate a new version of the Water-Ec curriculum for a period of five (5) years
c. An undertaking that the University will not license the Water-Ec curriculum to a third party for a period of five (5) years
d. A right on the part of Pollywog Rescue, as licensee, to adapt the curriculum to new media

5. Slacker University has become aware that its compliance record with many of the applicable federal statutes and regulations that affect universities is dismal. It is worried that an audit by any one of several government agencies that have a regulatory interest in its activities will yield undesirable results, or worse, fines, imprisonment and, at a minimum, embarrassment. The University, from its Board of Trustees on down through its departments are getting nervous since there has never been any authority at the University to whom anyone was particularly accountable. As an expert on federal laws and regulations in the university environment, you have been retained to provide advice as to how Slacker U. might change its management practices to come into compliance with federal laws and regulations. In particular, you are called upon to provide guidance on several typical activities at Slacker.

5-1: While Slacker's computer services provide its students and faculty with access to the internet as an Internet Service Provider, because it has an interest in making sure its faculty are not violating one of the University's very few policies (on competing outside commitments), it has devised a series of triggers which it has linked to its network that will signal when someone is carrying on e-mail correspondence with, or providing reports or other materials to, an outside company. As you review this particular policy of the institution, you are well-advised to suggest that Slacker foregoes this activity since it may:

a. Eliminate the safe harbor under the TEACH Act
b. Eliminate the safe harbor under the DMCA for ISPs
c. Violate confidentiality agreements in place with research sponsors
d. Result in a potential loss of patent rights since the content of research reports automatically flagged by the triggering software are likely to become a matter of public record

5-2: While Slacker maintains an interest in commercializing useful inventions resulting from its research, it has always determined that worrying about complying with federal

regulations with respect to inventions that might arise from its federally-funded research programs is much ado about nothing. You advise Slacker that it is in their best interests to get themselves into compliance with respect to reporting under Bayh-Dole including reporting on all of the activities below except:

a. Disclosure of subject inventions
b. Invention utilization
c. Foreign patent applications filed
d. Number of small businesses licensed

5-3: As you continue to look at Slacker's management policies for commercialization of its technologies, it is clear there are a number of federal rules, regulations and statutes that Slacker needs to take into consideration in revising its management practices to avoid the adverse implications of reviews by a governmental agency. To reinforce the implications should the University continue to ignore its responsibilities, you have determined that three out of the following four statutory or regulatory areas are of primary importance to them. The one that is not is:

a. The EARs
b. Alternate IV
c. The FARs
d. UBIT

PART III – Essays (please choose 2 out of 4)

[Each essay will be scored on the basis of 20 points. Since the Essay portion accounts for 40 out of the 100 scoring points for the Exam, it will be important consider carefully the topics you choose. It will also be important to provide an answer should the topic ask for one and, in any event, to be as complete in your discussion of your chosen topics as you can. Please use your bluebooks and be sure to record the numbers of the essay questions you are responding to.]

Topic 1: As a new hire in the General Counsel's Office at High Expectations University, it has become clear to you that for the most part the university's asset management systems are poorly conceived, poorly defined and poorly executed. One of the worst has to do with the tracking of the university's intellectual property assets. You readily see that because of turf wars the departments who are engaged in producing the most valuable intellectual property for the university are determined to undertake the commercialization of it, through their own technology transfer licensing, programs. You are convinced this is a particularly dangerous and counterproductive management strategy for the University endorse. Understanding that it is going to be difficult to successfully promote changes in

the short time you have been at High Expectations, nevertheless, you are determined to write a memo to the Provost pointing out the risks the University is running if it continues to operate a decentralized and fragmented system for commercialization of its intellectual property. In addition, you think it will be useful to provide the Provost with an outline for a more centralized system.

☺ **The memo to the Provost and outline for a centralized system are your tasks for Topic 1.**

Topic 2: You are totally fed up with one of your activities as assistant University Counsel for Intellectual Property. Because you have some understanding of contracting, IP and a biology undergraduate degree, you have been assigned to negotiate "in-coming" material transfer agreements for the entire university. They are nothing but a huge and largely unproductive time investment. Each company your faculty and graduate students deals with has a different form of agreement, and all have different "needs and wants". Enough! You are determined to put a stop to the madness by sending out to each company which you routine deal with a list of MTA principles that you are willing to agree to. You set about constructing a list of principles that you think fairly balance the equities and the realities with which you are dealing. Those equities and realities most particularly are (i) the fact that the provider companies do not have to respond to any faculty request; (ii) the provider companies have bona fide intellectual property concerns in some cases; (iii) the companies are not providing research funding, but other parties are, including the government; (iv) some faculty are more interested in publishing than patenting; and (v) since your client is the university, your job is to protect it.

☺ **Taking into consideration the concerns outlined above, developing an acceptable MTA "principles" document suitable for sending to industry is your task for Topic 2.**

Topic 3: You have been hired by Old Ivey University because you have recently graduated from FPLC where you took a number of courses that were related to computer law including the Law of the Internet, Cybercrime, and Copyright. Old Ivey has just received a "Notice and Take Down" from the RIAA and does not know how to respond. In addition to the crisis with the RIAA, Old Ivey is also aware that its students are out of control with peer-to-peer file sharing and its faculty is out of control with respect to the activities they are carrying on over the Internet. You are elated! You can do this job! Your first responsibility will be to advise on a suitable response to the RIAA demand. Once that is done, you will write draft guidance for appropriate use of Old Ivey's digital network for students and faculty. You know it will be important to refer to legal statutes and precedent to make sure people in the Old Ivey community understand their rights and responsibilities.

☺ **Your tasks for Topic 3 are (i) to advise on response to the RIAA and (ii) to prepare a short and succinct advisory on rights and responsibilities for student and faculty use of the Internet.**

4. The Curator of the Monet University Museum (MUM) recently met with you, a copyright attorney at Monet University (MU), to tell you that she had been approached by a company that distributes distance education courses for adults in museum management. The company was aware that MUM had made a name for itself in museum management best practice partly because of a course given in the university's school of nonprofit business management from which the University's museum had adapted many of its successful practices. The company is extremely anxious to acquire a license to distribute the museum management curriculum but, of course, the Curator had no idea how to begin the process of negotiating with the company. You are only to happy to take on this task since you will have a tremendous opportunity to put your copyright skills into practice. As you consider the licensing proposal you will make, you realize that the curriculum under discussion is not entirely the work product of the Curator and her staff but parts of it most likely originated with faculty in the school of business management.

   ☺ **Your tasks for Topic 4 are to (i) consider what effects on the licensing of the museum might be caused by the fact of its partial development by school of management faculty and what factors you would have to consider in making a determination as to how to handle the situation; (ii) what rights you would be willing to license to the distance education distributor; (iii) what consideration to the various authors of the curriculum might be reasonable; and (iv) whether Monet University will have any adverse tax liability as a consequence of this project – explaining why or why not.**