Managing Knowledge Assets in the University
Final Examination

Professor Hersey Spring, 2003

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. The attached answer sheet should be used for answers to Parts I-II. Blue books should be used for the essay question 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 identify the following statements as True or False (T/F).

1. Although comprehensive policies on intellectual property ownership are useful in managing university knowledge assets, by carefully following U.S. statutory law in disposing of intellectual property issues, U.S. universities can avoid the complexities of policy-making.

2. In order to maximize the value of university knowledge assets most universities are willing to forgo the commonly-accepted university mission of disseminating knowledge.

3. Assignment agreements are important to enable universities to claim ownership to faculty inventions, but the work-for-hire doctrine under U.S. Copyright law makes them irrelevant with respect to faculty copyrights.

4. One of the most significant differences between how universities and industry protect knowledge assets occurs in the area of trade secrets.

5. Although it may be deemed preferable for the purposes of scientific advancement to avoid patenting research tools, patenting an invention useful as a research tool does not violate Bayh-Dole.

6. Because state universities have immunity from suit in federal court under the 11th Amendment to the Constitution, whether or not their employees engage in patent or copyright infringement in the course of their usual activities is of no legal consequence.

7. As long as universities agree to share royalties with faculty who develop courses for distance delivery, the question of ownership is settled.

8. Despite the provisions of Sec. 107 of the U.S. Copyright Act of 1976, university faculty and student users of third-party owned copyrights on campus cannot always be assured of having fair use rights.

9. Once universities understand how to manage the intellectual property encumbrances resulting from government (US) funded research and development contracts, they can apply the same principles to industrially sponsored agreements.

10. The failure of universities and industry to reach agreement on a standardized material transfer agreement has more to do with perceptions of value than with poor asset management.

11. One of the problems with taking equity in a start-up company is a risk that the company will abandon the licensed patent and leave the university empty-handed.

12. Despite the fact that inventor participation may lead to a conflict of interest, a university considering licensing a patent to a start-up should always involve the inventor in the licensing negotiations since he or she is most knowledgeable about the invention.

13. The point of applying U.S. Tax law to university activities in the United States is to recognize that activities that are consistent with a university's charitable purposes are tax exempt and those that are inconsistent are not.

14. University legal liability as an internet service provider for campus internet activities depends upon a number of factors, but the most

important factor is whether the university is making a profit from the activity.

15. The most important factor indicating eligibility for scientific research to qualify as fundamental research under U.S. Export Control laws and regulations is that the research is publishable.

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 choose the best answer for each question based on the hypothetical to which it relates. The description of the parties referred to in this section of the Exam should be considered applicable throughout this Part II.

A. Phi Beta (P.B.) Kappa, Esq., associate general counsel for Global Research University (GRU), a private 501(c)(3) U.S. university, has been given the assignment of assisting his university in developing a copyright policy. Of immediate concern is a proposal from GRU's Provost to develop a series of courses to provide to distance learners over the internet. The Provost is undecided as to whether the courses will be delivered directly by GRU as a university activity or whether to license the courses to a for-profit delivery agent. In addition to advising on policy, P.B., Esq. has also been asked to give an opinion as to the risks and rewards of out-sourcing the course delivery to a commercial vendor.

1. Based on the fact situation above, P.B.'s first step would be:

   a. Advising the Provost that due to the significant issues involved he should abandon the plan.
   b. Turning the task over to the Technology Transfer Office because there is intellectual property involved.
   c. Reviewing statutory and case law precedents on academic copyrights before proceeding further.
   d. Contacting a colleague at Quick Degree University, Inc. a for-profit internet start-up company to see if the

company has an interest in contracting for delivery of the courses.

2. In deciding what the copyright policy for the institution will include, P.B. should:

    a. Cover only students and faculty since the rest of the staff are employees whose work is automatically owned by the university under the work-for-hire provision of the current U.S. Copyright statute.
    b. Assume that software, as patentable subject matter, will be subject to the patent policy, and need not be included under the copyright policy.
    c. Ensure that the technology transfer office controls the disposition of GRU copyrighted works as it is the office that manages royalty accounting.
    d. In general, follow the patent policy for the dominant factors which will determine whether the university will assert ownership of copyrights.

3. In deciding what advice to give the Provost on the question of out-sourcing delivery of the courses, P.B. would consider discussing with the Provost all of the following except:

    a. Whether the university should avoid out-sourcing because any revenues derived from dealing with the for-profit company will be taxable.
    b. The effect of the TEACH Act.
    c. Whether the university's name should be licensed along with the courses.
    d. Whether copyright in the courses should be licensed or assigned.

B. Finest, Inc. has approached Global Research University (GRU) with a proposal to fund a research project in the laboratory of Professor Wizard, a Nobel prize winner in chemistry. Finest has had unfortunate prior experiences with universities and is determined that it will not give a single inch in negotiations with the Knowledge Asset Manager at GRU. Professor Wizard has a new crop of graduate students who must be supported

from research contracts and is most anxious to sign with Finest. He has little interest in inventing and even less interest in contract negotiations.

1. Prior to entering into negotiations with Finest, Inc., the GRU Knowledge Asset Manager should first:

   a. Call other universities to see what kind of deal others have been able to negotiate with Finest.
   b. Review Professor Wizard's existing funding for potential conflicts in obligations to other funding sponsors.
   c. Ascertain whether any of Professor Wizard's graduate students have worked for competitors of Finest during the summer.
   d. Talk with GRU's treasurer to see whether she is willing to take stock in Finest in lieu of royalties if there should be an invention.

2. During negotiations with Finest, the Knowledge Asset Manager must decide whether to accept a number of the demands made by Finest. Of the following, the only one she should be willing to accept is:

   a. a requirement that Professor Wizard sign a consulting agreement with Finest as part of the deal.
   b. a clause that says that all research is work for hire and proprietary to Finest.
   c. a clause that says none of the research results can be used by GRU for any competitor of Finest
   d. a clause that gives Finest a right to review publications for patentable subject matter.

3. If the Knowledge Asset Manager discovers that Professor Wizard has materials in his laboratory belonging to third parties that Professor Wizard may end up using in the research program sponsored by Finest, she should:

   a. Send the materials back to their owners before the research starts.

b. Ignore the situation since the terms of the funding agreement will take priority over a material transfer agreement, should there be one.
c. Proceed on the assumption that because Professor Wizard has never disclosed an invention, he will not invent this time either; hence no conflict will occur.
d. Be prepared to prohibit the use of the materials depending upon the outcome of negotiations with Finest.

C. P.B. Kappa, Esq. has been given yet another very large project by the Provost. He has been asked to review the university's knowledge asset policies and procedures to determine whether the university is conforming to current statutory law and regulation as well as prevailing case law. While this is a complex project, P.B. realizes its importance and feels he can complete it.

1. In compiling a list of statutes and regulations to be concerned with, P.B. would consult all of the following except:

   a. Federal laws and regulations applicable to government funding of at universities
   b. U.S. Tax laws relevant to activities of 501(c)(3) organizations
   c. State laws applicable to agencies of the state
   d. U.S. Telecommunications laws

2. While there are a significant number of cases to review, P.B. determines that one which he does not need to consider is:

   a. *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*
   b. *Princeton University Press v. Michigan Document Services, Inc.*
   c. *University Patents v. Kligman*
   d. *Technitrol, Inc. v. The United States*

3. As part of the review conducted by P.B. Kappa, Esq., he realizes he must determine whether the technology transfer office is complying with Bayh-Dole. His review of Bayh-Dole reveals one of the following as a requirement.

   a. An obligation to report shares of stock taken by the university as equity in start-up companies.
   b. An obligation to pay a portion of royalties over to the government
   c. An obligation to seek government approval before issuing exclusive licenses.
   d. An obligation to share royalties with inventors

D. Professor Wizard, having become convinced that invention has its rewards, has applied for a grant from the National Institutes of Health (NIH). He is unsure whether his outside financial interests raise a conflict of interest and has approached you, as Knowledge Asset Manager at the university with oversight for conflict of interest, to help guide him. Professor Wizard's interests (now significant) are as follows: (i) his investment portfolio holds 100 shares of IBM common stock; (ii) he is on the Board of Directors of Merlin, Inc.; (iii) he has a consulting contract with Merlin, Inc. under which he can earn up to $25,000 per year depending upon how much time he devotes to Merlin's business interests; and (iv) one of his inventions is licensed by the university to Merlin and returns to him royalties which fluctuate from year to year based on the volume of product sales.

1. As the university official with oversight for conflict of interest, the interest disclosed by Professor Wizard as part of his NIH proposal that would cause you the most concern is:

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

2. Rather than submitting a proposal for NIH funding, if Professor Wizard were to submit a proposal for a research project to be funded by Merlin, Inc., you would be most concerned from a conflict of interest perspective about:

    a. (ii) and (iv)
    b. (iii) and (iv)
    c. (ii) and (iii)
    d. (ii) only

3. In the event Professor Wizard makes an invention under his NIH-funded contract, to avoid the perception of conflict of interest, you would consider licensing the invention to Merlin, Inc. only if:

    a. Professor Wizard resigns from the Board of Directors
    b. Professor Wizard reduces his consulting contract to less than $10,000 per year.
    c. The university does not have a greater than 5% equity interest in Merlin, Inc.
    d. The license negotiations are carried out at arm's length.

E. The Department of Electrical Engineering at Global Research University has come to you, as GRU general counsel, with a problem. They have received a letter from Litigators R Us demanding that they cease a major research program funded by the Department of Defense because in conducting the research the graduate students are using a patented process belonging to HiFive, Inc., a client of Litigators R Us. To compound the problems encountered by the research program, the department has also received a letter from one U.R.Wrong claiming that certain materials on the Program's website infringe copyrights held by Ms. Wrong.

1. In framing a response to the patent infringement allegation, you would likely use all of the following theories except:

a. The use of the patent by the research program was in pursuit of philosophical experiment as enunciated by Justice Story.
b. The CAFC holding in *Madey v. Duke*
c. Claim the university's use was non-commercial and therefore was true scientific inquiry.
d. Claim the research program is funded by the federal government and therefore has the protection of the authorization and consent clause under the FAR.

2. In responding to the allegations of Ms. Wrong, you would likely advance all of the arguments below except:

   a. The university is entitled to the safe harbor benefit of the DMCA, but will take down the materials from the site.
   b. The copy of her materials appearing on the Research Program's website is fair use.
   c. Reject responsibility on the basis of the university's passive position as an Internet Service Provider under the Telecommunications Act of 1996.
   d. Refer Ms. Wrong to *Seminole Tribe of Florida v. Florida*

3. In advising the Electrical Engineering Department, you would likely counsel that the best course of action is to:

   a. Abandon the research program
   b. Seek a license from HiFive, Inc. to continue the research program.
   c. Ignore the letters from Litigators R Us and Ms. Wrong.
   d. Make an investigation as to the exposure of the university under the two allegations before responding to either Litigators R Us or Ms. Wrong.

PART III – Essay (Choose 1 out of 3)

[The essay will be scored on the basis of 0-10 points. No extra credit will be given so writing more than one essay will be a waste of your time. Please use your bluebooks and be sure to record the number of the essay question you are answering.]

1. You have been retained by Start-up University to advise them on the structuring of a technology transfer office. The university is new but has several grants and contracts and it is clear that its faculty is interested in participating in the process of commercializing technology. The President of Start-up University, himself, is entrepreneurial and is determined to see Start-up U make a name for itself as a major player in university technology transfer, but is not interested in seeing the university's activities condemned in the Manchester Union Leader. Your task is to write a summary of a plan for achieving the President's goal. As part of your summary, at a minimum, you will have considered and included advice on all of the following:

   a. The scope of an intellectual property policy for the institution
   b. The benefits and disadvantages of establishing a stand-alone technology transfer operation vs. out-sourcing.
   c. Whether the University should take equity in start-up companies and if so, how it should be managed.

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2. Universities are both creators and users of knowledge. A good Knowledge Asset Management plan will cover both of these activities. Based on what you have observed in the course over the semester, please provide an outline for a comprehensive Knowledge Asset Management plan and include in your outline at least one major reason (prevailing case, statute, or simply best management practice) for each segment of the plan.

PART III – Essay (Choose 1 out of 3)

3. The faculty at Magna Cum Laude University (MCLU) is in rebellion. The Provost has decided that MCLU must have complete control of the courses that are taught in order to assure continuity, quality of content, and because the Provost would like to enhance the University's endowment by selling the faculty's courses to any outside organization or student willing to pay for them. Although you are university counsel and therefore your client is the university (and the Provost), the Chair of the Faculty has come to you because you are an acknowledged problem solver. The Faculty Chair tells you that the faculty will accept a reasonable compromise between the position of the Provost and the position of the faculty, as authors. You accept the challenge and produce a plan which includes, but is not limited to, determinations of ownership, scope of rights of the university and authors, and compensation, if any, for authors. Since you have to convince the Provost of the reasonableness of the plan, you will also provide commentary for the positions outlined in the plan.

Managing Knowledge Assets in the University Answer Sheet - 1
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PART I. True/False (check one)

	T	F
1.	___	___
2.	___	___
3.	___	___
4.	___	___
5.	___	___
6.	___	___
7.	___	___
8.	___	___
9.	___	___
10.	___	___
11.	___	___
12.	___	___
13.	___	___
14.	___	___
15.	___	___

Managing Knowledge Assets in the University Answer Sheet - 2
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PART II – Multiple Choice (check one best answer)

A. 1	**a.** ___	**b.** ___	**c.** ___	**d.** ___
A. 2	**a.** ___	**b.** ___	**c.** ___	**d.** ___
A. 3.	**a.** ___	**b.** ___	**c.** ___	**d.** ___
B. 1	**a.** ___	**b.** ___	**c.** ___	**d.** ___
B. 2	**a.** ___	**b.** ___	**c.** ___	**d.** ___
B. 3	**a.** ___	**b.** ___	**c.** ___	**d.** ___
C. 1	**a.** ___	**b.** ___	**c.** ___	**d.** ___
C. 2	**a.** ___	**b.** ___	**c.** ___	**d.** ___
C. 3	**a.** ___	**b.** ___	**c.** ___	**d.** ___
D. 1	**a.** ___	**b.** ___	**c.** ___	**d.** ___
D. 2	**a.** ___	**b.** ___	**c.** ___	**d.** ___
D. 3	**a.** ___	**b.** ___	**c.** ___	**d.** ___
E. 1	**a.** ___	**b.** ___	**c.** ___	**d.** ___
E. 2	**a.** ___	**b.** ___	**c.** ___	**d.** ___
E. 3	**a.** ___	**b.** ___	**c.** ___	**d.** ___