Exam No. _____

NONPROFIT TECHNOLOGY TRANSFER
FALL SEMESTER, 2005

FINAL EXAMINATION

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INSTRUCTIONS

This is a three-hour exam. There is no open book. The exam is separated into three parts, without time limitation as to any particular part. The attached answer sheets should be used for answers to Parts I & II. Blue books should be used for the essay questions in Part III. **Tip: Read the questions carefully☺**

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) on the Part I answer sheet.

1. For confirmation that university technology transfer is an important factor in the U. S. economy, it would be proper to use the total of university accumulated royalties reported each year in the AUTM Licensing Survey as an indicator.

2. Prior to the passage of the Bayh-Dole Act in 1980, universities in the U.S. did not engage in technology transfer since they could not legally require inventors to assign title to their inventions to the university.

3. The primary reason that universities do not license know-how developed under their research programs is that it is too difficult to place a value on it.

4. While a license and a bailment are both transactional methods used to transfer biological materials from one party to another, as a materials provider, your preference would be to transfer the materials under a license rather than a bailment.

5. If royalty income were considered "unrelated business income" because the terms of the license do not meet the requirements set out in the ***Sierra Club*** line of cases, this means that the license would be automatically terminated.

6. The problems with writing a patent license that requires royalties to be paid after the patent term expires generally arise because of a failure of consideration.

7. The Federal Acquisition Regulations (FARs) are important to university technology transfer because they are used to determine whether or not technology developed with federal funds can be licensed to a foreign for-profit company.

8. If you were making a legal argument for university ownership of a invention developed by one of your faculty members under a research program, it would be mistake to cite the case of ***U.S. v. Dubilier Condenser Corp***.

9. In considering the liability that Minnie's university might incur in licensing a patent to a commercial company, it will be important for her to research the validity of the patent before she licenses it since it will be presumed by the licensee to be valid.

10. In drafting a copyright license for software, it would be a mistake for you to grant the licensee the exclusive right *to make* the software for a term of 10 years.

11. If Able University's intellectual property policy does not deal with the ownership of educational materials used by the faculty in their classes, then the law in the U.S. presumes that Able University will own the materials as work for hire.

12. Research tool license agreements that provide the licensor with royalty rights to licensee inventions made under federal funding are not legal under the NIH guidelines.

13. The ***Georgia-Pacific Factors*** are most often used in patent infringement cases where the patent holder's lost profits exceed $5,000,000.

14. In advising the university that you represent as to what form its technology transfer activities should take, you would first and foremost consider the university's mission statement.

15. Up to this point, conflict of interest regulations and guidelines have been directed towards faculty researchers because they are most likely to hold equity in large companies that fund university research.

b. Professor Investigator's uncle is a new products manager for DingDong Toys, Inc., a direct competitor of MicroMusic.
c. Professor Investigator has been approached by her department head who wishes to start a company licensed to her research
d. Professor Investigator's research assistant is a French citizen

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C. Continuing to deal with the challenges brought to you by Professor Investigator, the situation has become even more interesting because SonyTech has decided to exercise the option in its research agreement to negotiate an exclusive license to Professor Investigator's invention. Prior to entering into negotiations, you ask your contracts office to provide you with a list of Professor Investigator's research contracts over the past five years. You see that while SonyTech has funded the last three years of her research, the first two years of her research, dealing with how sound travels, were funded by the National Oceanographic and Atmospheric Administration (NOAA), an agency of the U.S. Government.

C-1. In considering whether the invention should fall under Bayh-Dole, you will need to determine:

a. Whether Professor Investigator's research report to NOAA was published
b. Whether the undersea sonic equipment used for the NOAA research was also used for the research program funded by SonyTech
c. Whether the NOAA contract contained a "special works" clause
d. The date of conception for the invention

C-2. In view of the licensing terms offered by SonyTech, given what you know about university standard terms in the U.S., you are willing to consider only:

a. A royalty of 2% on the difference between the sales price of each digitally enhanced musical toy and the sales price of the non-musical version
b. Crediting the total of SonyTech's research funding against future royalties
c. A fully paid-up royalty based on the value of a hypothetical licensing deal in the toy industry
d. 2% of the net profit from sales of the digitally enhanced toys made by the company and its sublicensees

C-3. If your determination is that Bayh-Dole <u>does apply</u> to the Investigator invention, this would mean that:

a. SonyTech must observe the substantial manufacture in the U.S. requirement
b. SonyTech must issue a sublicense to a small business in the U.S.

c. SonyTech must agree to issue a non-exclusive license to the U.S. government
d. SonyTech must get an export license from the U.S. government to sell the licensed musical toy products outside the U.S.

D. The Board of Trustees of Fast Franchise University (FFU) has decided to cut costs by doing away with the university's campus buildings in favor of going virtual and using the Internet to carry on its educational and research activities. Your law firm has been engaged to guide FFU through its transformation from its bricks and concrete structures to virtual. As an IP lawyer, you know that FFU will be successful in this enterprise only if it has sole and exclusive rights to all of the courseware produced by its virtual faculty. You also realize that the scheme suggested by FFU may open the university to other liabilities that it might not ordinarily have to deal with. You decide that you will provide FFU with advice based on the following:

D-1. The major challenge facing FFU with respect to faculty courseware will be:

a. The decision of the court in ***Weinstein v. U. of Illinois***
b. The fact that courseware is copyrightable
c. Whether certain faculty members will try and sell their courses to a competitor of FFU
d. The fact that FFU is a 501(c)(3) tax exempt organization

D-2. By deciding to provide all of its courses over the Internet, you advise FFU that even though it remains a private, non-profit educational institution, it will likely lose the statutory protection available to the university under:

a. The TEACH Act
b. Fair Use (Title 17 USC §107)
c. The 11th Amendment
d. The Digital Millennium Copyright Act

D-3. Despite the obstacles to achieving its goal, FFU can be successful by:

a. Collaborating with a local for profit on-line university that has already set up systems to handle distance education
b. Negotiating license agreements with its faculty authors
c. Setting up its own for-profit subsidiary to handle all of its on-line activities
d. Issuing a notice to faculty that all courseware is work for hire

E. Dr. Enrico Entrepreneur, who has a Ph.D. in bioinformatics, is a new faculty member at Magna Cum Laude University. He is most anxious to start down a career path which will allow him to teach, advance his research interests in developing a more accurate method for calculating the life-span of brain cells in flies and fulfill his dream of starting his own company. He comes to you, a senior technology transfer officer at the university, to discuss how he can best manage all of his ambitions without violating the university's conflict of interest policies and by otherwise avoiding relationships that might be encumbrances with respect to his future plans.

E-1. In considering obstacles that might hinder Dr. Entrepreneur's efforts to reach his goals, you decide you should alert him to:

a. A university policy that prohibits faculty from serving as a company CEOs while retaining their faculty positions
b. A university policy requiring annual reporting on consulting activities
c. The NIH and NSF Conflict of Interest Guidelines
d. A university policy that prohibits start-up companies from funding research in the university

E-2. If Dr. Entrepreneur's ambition includes starting his own company, you will advise him that he needs to avoid taking research funding from:

a. NIH under a grant
b. private industry
c. NSF under a cooperative agreement
d. DOE under a contract

E-3. As Dr. Entrepreneur builds his career and outside networks, you caution him to avoid:

a. Material Transfer Agreements with reach-through royalties
b. Co-inventing with other professors in his department
c. Purchasing stock in bioinformatics companies
d. Consulting relationships with bioinformatics companies

PART III – ESSAY (CHOOSE 2 OUT OF 3)

Each essay will be scored on the basis of 20 maximum points and each will count for 20% of your exam grade. Since the essay portion of the exam accounts for 40% of your score, it will be important to consider the topics you choose carefully and to be as complete in your discussion as you can. Please use your bluebooks to prepare the

materials that are requested by the topics presented, and be sure to record the number of the topic you are discussing. Since you will be graded only on the first 2 essays you write, responding to more than two will be a waste of your time ☺.

Topic 1:

Professor Peter Rabbit has become aware of a new proprietary lettuce taste- enhancing material developed by Dependable Drug Company which would be useful in a research program that he has underway. The research is being funded on a three-year grant from the federal government's Department of Agriculture. Professor Rabbit has contacted the company and has received via fax a copy of the company's standard material transfer agreement (MTA). Although Professor Rabbit was hoping that his colleague at the company would simply ship the material to him without going through bureaucratic channels, he realizes that involving the administration in material transfer agreements is a fact of life. So, he comes to you, in your capacity as IP lawyer for his university and asks you to sign the MTA. The terms of the MTA are summarized as follows:

> 1. The Material, all progeny, modifications, new materials and improvements developed thereto ("the Material") remains the sole property of Dependable Drug Co.
>
> 2. No Material will be disclosed or transferred to third parties without the prior written approval of Dependable Drug Co.
>
> 3. The Material may be used for only for non-commercial research.
>
> 4. The recipient will provide Dependable Drug Co. with advance copies of all reports and publications containing results of research learned through use of Materials. Dependable Drug Co. has the right to republish all such works in its annual report.
>
> 5. In the event an invention results from the research program in which the Material is used, Dependable Drug Company shall be entitled to a world-wide royalty-free, nonexclusive license to such invention.

While you understand Professor Rabbit's insistence on just signing the agreement, you know that you will need to revise the terms before returning the MTA to Dependable Drug. To complete this particular problem, please revise the five terms above to resolve any issues they present and provide a counter-offer to Dependable Drug Company along with a memorandum describing why the changes you are making are necessary.

Topic 2:

As an intellectual property lawyer in the firm of Patents, Copyrights & Trademarks, LLC, (PC&T), you have been asked to advise Last Chance University on the new intellectual

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ANSWER SHEET – PART I

PART I. Please mark True/False (check one)

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

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ANSWER SHEET – PART II

PART II – Multiple Choice (indicate your choice of the right answer by a ✓or X or ☺ or whatever you'd like to use)

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. ___