



Red Flags in Green Energy Technology Licensing *Rewards and Risks of “Green”*

Licensing and collaboration is often a long-term and active endeavor that requires foresight and on-going attention. The excerpt below offers a glimpse of practical advice from [a recent Web conference](#) hosted by Foley & Lardner.

Do not get burned – plan for market changes

The “green” industry is nascent and evolving quickly. What you develop today may not be what you end up commercializing tomorrow. Be careful when defining the rights to be granted, obtained or exchanged. Broad language describing technology may seem fine when you are in an initial R&D stage, but can create significant uncertainties as you get closer to commercialization. For example, your product may end up covering different or additional industry sectors. Consider a wide range of scenarios for leveraging your IP. Anticipate how you can maintain a competitive edge in the future when structuring your current deals. Providing for exit clauses in your exclusive agreements is key in case the relationship does not go as planned.

Inventorship, ownership, and did I say inventorship?

Too often, lack of proper documentation of inventorship and ownership can derail potentially valuable deals. Weak employee agreements can open a door to former employees claiming ownership rights, making the technology and underlying patents unattractive to potential partners. Additionally, patents that list inventors who never legally invented anything could make your patents unenforceable.

Beware of accidental inventors

In collaboration, the assignment of IP rights needs to be clearly stipulated in every situation. Otherwise, if improvements in technology are made through collaboration, employees from two different entities may become co-inventors, thereby creating joint ownership of the IP and resulting in potential problems with enforcement later. Be sure to contractually define how ownership and commercialization of inventions and the resulting intellectual property rights flows from the inventors. This should be done not only for inventions that may arise from projects under the collaboration but also from activities outside of these projects. Be sure to distinguish existing intellectual property from new inventions.

Make sure you track down funding sources

Dig deeper beyond representations and warranties. Make sure you identify every potential funding source for the technology. If, for example, the U.S. government provided a facility or funding, future grant of ownership rights may be limited and you should conduct additional due diligence to ensure that you enforce your rights.

Do you speak the same language as your collaborator/partner?

The green industry brings parties together from different industry sectors. Do not assume that everyone shares the same perspective. Licensing and collaboration is typically a long-term relationship and written agreements need to withstand issues that come up along the way. For example, if your partner is from a mature industry, they may have out-grown long-term collaboration approaches and may now be accustomed to very different industry practices or deal terms. Guard yourself before you enter into the relationship. Research the company’s history of licensing, and reputation. For deals with foreign partners, understand that the definition of “green” can be different from market to market.



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When your collaborator says they want to retain certain rights, think twice

In negotiation with universities or others who want to retain rights, make sure you clearly define the scope. For example, “internal research” can lead into improvements to the technology that can be licensed to a competitor.

Wait, did you stipulate who gets to enforce the patents and how?

Make sure you are obtaining the rights you think you are getting. Too often, the question of who will be responsible for enforcement of patents is not fully addressed. The licensor might require the licensee to enforce the patents, leading to significant time and cost burden, especially if the technology is relatively easy to replicate. Depending upon the scope of the grant of rights in the agreement, the licensee of patents may find they cannot enforce the patents without the owner joining the lawsuit.

Licensee trying to invalidate your patents? Have you addressed *MedImmune*?

Post-*MedImmune*, licensing contract terms can be used to protect the licensor by including specific terms about what happens if a licensee tries to invalidate the licensed patents. For example, one such provision would allow that if the licensee challenges the patent, then the license is terminated, and/or the licensee must pay double-license fees.

You are in the middle of negotiations, so your invention should be protected, *right*?

Filing provisional patent applications before negotiations may protect you beyond the use of a non-disclosure agreement (NDA). Since “green” is still an emerging industry, your licensing/collaboration partners may be from other industries and feel they are behind and need to catch up fast. They may be planning on filing patents on their own during the negotiations or once they enter the relationship. Remember, demonstrating you have invented first is expensive, especially compared to filing a provisional patent application before pursuing negotiations.

Narrow vs. broad definitions of technology

Narrowly defining the product can allow you better control. In doing so, make sure you build in opportunities for change on a continuous basis, and actually review and reevaluate the scope of license. Further, by defining “field of use” you can create multiple revenue streams from one technology/patent.

The insights above were gleaned from discussions during [Rewards and Risks of “Green:” How to Make Your IP Assets Work Double-Duty While Minimizing the Risks of Disputes](#), a Foley & Lardner Web conference held on July 29, 2010 by Foley partners [Edouard C. LeFevre \(elefevre@foley.com\)](#), [Debra D. Nye \(dnye@foley.com\)](#), and [Sven Riethmueller \(sriethmueller@foley.com\)](#), and Martin Hanssmann, President of [AltaStream Energy Solution Inc.](#) For the full recording and presentation material of the Web conference, visit [Foley.com/events](#).