

## SRC/SRCco Guidelines Regarding Background Intellectual Property – August 2019

SRC/SRCco Members sponsor research with the expectation that they will have the freedom to practice the results of the sponsored research and any implementations of those results. The existence of Background Intellectual Property (BIP) is a serious impediment due to its potential to limit this freedom to practice. SRC relies heavily upon input from the Principal Investigator (PI) and university in identifying potential BIP since the PI knows best the scope of work and, more importantly, whether he/she intends to bring existing Intellectual Property (IP) into the research project and whether such IP is necessary to practice the research results. SRC cannot sponsor research in situations where it is known that a Members' freedom to practice will be restricted or blocked by existing BIP. In such instances the freedom to practice needs to be restored either through a license to the BIP or a re-scoping of the work to avoid the BIP. Note that SRC must have access to the BIP *prior to entering the contract* since the risk to Members must be addressed proactively. The university is asked to identify any BIP both on the proposal cover page and upon receipt of the SRC research contract.

Here are simplified layman explanations of key terms and expectations. Exact definitions/requirements are provided in the research contract. As an example, BIP is referred to in the research contract as "Implicated Background".

**Background Intellectual Property (BIP):** Any technology, inventions, or other intellectual property of the university not generated in the course of the sponsored research that would block the exercise of foreground license rights or would be infringed by foreseeable implementation of any foreground IP. An illustration of this would be if the scope of work defines research into the development of an electronic toy, then batteries previously invented by the PI under other sponsorship would qualify as BIP if such batteries are necessary to operate the electronic toy. If the toy could be used effectively with different batteries or an AC adapter, then the batteries invented by the PI would not be considered BIP.

**Contract Performers (CP):** The PI and any employee of the university, any student, or any other person, including persons assigned by subcontractors, other than an employee of SRC or Member, who engages in the research services.

**Non-Contract Performers (non-CP):** Any employee of the university, any student, or any other person, including persons assigned by subcontractors, other than an employee of SRC or Member, who is not engaged in the research services.

### **University Obligations for *Contract Performers* Prior to the Start of the Contract**

The university will identify any Contract Performer intellectual property that is known at that time to be BIP. The important word here is "known." For example, if it is known up-front that the proposed research must use a process for which a CP has a patent or has submitted an invention disclosure, that patent or invention disclosure would be considered BIP. If existing BIP is not disclosed prior to the start of the contract, the university will grant to SRC and its Members non-exclusive royalty free rights to the extent that it is legally able to do so at no additional cost.

### **University Obligations for *Contract Performers* During and After the Contract**

The university will proactively and periodically identify any additional BIP that becomes apparent during the course of the research and grant to SRC and its Members non-exclusive royalty free rights to the extent that it is

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legally able to do so for a fee of no more than \$10,000. If BIP becomes apparent after the completion of the research contract, the university will grant to SRC and its Members non-exclusive royalty free rights to the extent that it is legally able to do so for a fee of no more than \$10,000. If the university fails to disclose such BIP, the university will grant to SRC and its Members non-exclusive royalty free rights to the extent that it is legally able to do so at no additional cost.

### **University Obligations for *non-Contract Performers* Prior to, During, and After the the Contract**

If, prior to the start of, during, or after the completion of the research contract, CPs or the university become aware of an impediment that in their professional judgment would restrict SRC or its Members' ability to use the research results, the university will notify SRC of the existence of such impediment. If the impediment is non-Contract Performer BIP, the university will notify SRC of the existence of this BIP. After consulting with the non-CP inventor(s) and obtaining a consent to negotiate, to the extent it is legally able to do so and when consistent with university's established licensing practices, the university will offer SRC and its Members non-exclusive royalty free license rights for a fee based on a mutually agreeable third party fair market valuation (FMV) of such non-CP BIP valued at the earlier of either the time of the license or the completion of the Contract. If the non-CP inventor(s) do not agree to offer such a license at the FMV determined, then the university is not obligated to offer a license to SRC.

Additional information

**Previous SRC Research.** If the BIP was developed under previous SRC sponsored funding, dependent upon the research program under which the BIP was developed, it may not be considered BIP to the current research/contract. In such a situation, SRC would already have a license to the BIP and therefore Members freedom to practice would not be diminished.

**Scope of BIP License.** The scope of any BIP license will be limited to that which is necessary to permit the freedom to practice foreground IP. For the avoidance of doubt, such BIP license permits SRC to exercise and sublicense all BIP to the same extent with respect to foreground IP. Additionally, BIP refers to all BIP of the university as a whole and not simply as referring to such IP of the PI or CP.

**Projected Research/Contract Options.** In all instances, if SRC does not obtain a license to the BIP, SRC retains the option to cancel the projected research or terminate an existing contract.

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If you have any questions please contact [legal@src.org](mailto:legal@src.org).