



# Intellectual Property

Quick Guide



Strengthening  
University-Industry  
Partnerships

Intellectual Property (IP) is often at the center of agreements between companies and universities. In fact, often it can be among the biggest items to work out in negotiations.

These can be for research projects sponsored by industry or for pure licensing of university IP. This Quick Guide was developed to create a greater understanding of key elements of IP and how it might relate to negotiations.

This Quick Guide provides basic definitions of the most common words and phrases related to intellectual property. The purpose of this Quick Guide is to be an easy reference for people who may encounter IP-related phrases but who do not work with intellectual property often enough to have a deep working knowledge of IP management. For additional resources for both academic and industry researchers who participate in U-I research collaborations, see the [UIDP Insights for Researchers Learning Path](#).

## Common Terms Defined

### Background Intellectual Property (BIP)

[Intellectual property](#) that exists prior to performance of a research project, or that is conceived or developed at any time wholly independent of the research project, which relates to the results of the research project and may impact the ability to practice and/or effect foreground intellectual property.

### Confidential Information

[Proprietary information](#) that is shared with a party for a particular purpose that imparts an obligation upon the recipient to maintain such information in confidence for a specific period of time.

### Copyright

The [rights](#) to reproduce, distribute, publish, perform, broadcast, or translate literary and artistic works fixed in a tangible medium, including computer programs and technical drawings.

### Exclusive License

A license that grants exclusive access to practice IP rights, and can be limited to a particular field of use or geographical area.

### Foreground Intellectual Property (FIP)

[New intellectual property](#) developed in the course of research under a research project's [Statement of Work \(SOW\)](#). In some instances, foreground IP may require access to background IP in order to be practiced.

### Grant-back

A provision that obligates a licensee of IP to grant a license back to the licensor for the licensor's continued use of the IP for specific purposes (such as research or education). Reservation of rights (see below) is an alternative to a grant back.

### Improvements

Technology that builds upon existing IP to improve a product or service. An improvement may require access to background IP to be practiced; conversely, it may effectively block full enjoyment of existing inventions.

### Infringement

A term associated with the determination that a party is practicing rights associated with IP without a license or other form of authorization by the owner or licensee of such property. License agreements typically call for both parties to notify the other party promptly upon discovering infringement of licensed patents by a third party.

### Intellectual Property (IP)

A type of intangible property developed through intellectual creation that derives its value from common law and statutory rights. Common forms of IP include patents, copyrights, trademarks, and trade secrets (or know-how).

### Know-how

[A type of IP](#) created through experience gained in performing a task.

### Liability

[A financial obligation](#) of one party to another party. The obligation may arise out of an agreement or a government-imposed responsibility. A research agreement may identify an obligation and make a party responsible for its performance and liable to the other party for failing to perform or failure to perform up to certain pre-agreed standards.

### License

The grant of certain rights that enable the practice of IP by an entity other than the IP owner. The license will indicate the specific rights granted, and will include all, or a subset of all, rights conveyed by law (rights for patentable IP differ from rights for copyrightable IP).

### Licensee

The party that receives a license/right to access or use IP.

### Licensor

The party that licenses/grants rights to IP.

### Non-Exclusive License

A non-exclusive license permits the licensee certain rights to practice IP rights, while freeing the licensor to provide certain rights to other licensees in the future.

### Non-Exclusive Royalty-Free License (NERF)

A grant of rights to IP that allows the licensee to practice the IP rights without additional compensation. Some NERFs are limited to internal research purposes, meaning the licensee is limited to practice the IP rights solely in continued research and development.

### Patent

The right granted by a government authority to exclude others from making, using, selling, importing, or offering for sale a product or process claimed in the patent. To obtain a patent, such product or process must be a novel, nonobvious, and useful invention or design.

## Reservation of Rights

Often in an exclusive license, a carve-out of the rights licensed to a licensee that reserves for the licensor the ability to continue practicing its IP under certain conditions, for example, for teaching, research and other non-profit purposes. Reservation of rights is an alternative to a grant back.

## Statement of Work (SOW)

A detailed description of the [work to be performed](#).

## Trade Secret

A method, formula, process, design, pattern, or instrument that is not generally known to the public, where its secrecy provides the owner a means to obtain an economic advantage over competitors, so long as the owner takes reasonable steps to keep such information secret.

## Trademark

The right to exclusive use of a particular name, phrase, symbol, or design to identify a good or service, and to distinguish it from the goods or services of others.

## Key Concepts for IP related business transactions

### Enforcement

An action for infringement of IP whereby the IP owner or exclusive licensee, acting through its lawyers (solicitors) arranges for a writ or complaint to be served on an alleged infringer. Exclusive licensees generally pay the cost to enforce licensed patents. Recovery from an enforcement action may be used to pay the licensee's costs with some of the remaining portion paid to the licensor. In some cases, a licensor may participate directly in the enforcement effort and collect a greater portion of any recovery based on their level of participation.

### First Right to Negotiate (also known as License Option):

The right of a prospective licensee during a limited, defined time period to enter into negotiations for a license to IP. This right is typically granted on an exclusive basis so the licensor cannot, during the Option time period, enter into negotiations with any third party.

### Indemnification

[An agreement](#) under which a person (the "indemnitor") promises to pay or reimburse another person (the "indemnatee") for agreed upon losses actually suffered by the indemnatee (e.g., indemnatee is sued because indemnitor's product harms a user). The agreed upon losses typically have not been caused by the indemnatee or its employees or agents. Regarding IP specifically, it is common for a university to agree to indemnify a licensee for university's ongoing use of IP for research purposes. Various states' laws limit the scope and enforceability of indemnification provisions. For example, some state constitutions prohibit pledges of state credit, some state laws prohibit the grant of a gratuity to a third party for forgiving a public debt, and many prohibit the unauthorized attempt to contractual waive a state's right to sovereign immunity.

### Ownership

Ownership of IP is determined by law or contract. In the United States, federal patent law defines who is an inventor and it is the inventor that owns the invention. University inventors typically are obligated contractually to assign rights in their inventions to their university. In research contracts, universities generally retain ownership of inventions made by their employees during the contract and grant to the research sponsor a first right of negotiation or other access to such inventions, depending on the terms of the contract.

## Publication Restrictions

Universities have an obligation to publish the results of research efforts conducted at the university and will rarely, if ever, agree to keep results of basic research confidential for extended periods. However, universities often allow research sponsors a chance to review papers prior to submission for publication in order for the sponsor to determine whether a patent application should be filed, or to prevent the inadvertent disclosure of confidential information of the sponsor into the public domain.

## Right of First Refusal

Differs from a right of first negotiation by including pre-determined terms offered by a third party. Before the university can license IP to the third party with whom it is negotiating, the university must offer a license to the holder of the right of first refusal with those same terms. If the holder declines, then the university can enter into a license with the third party under those predetermined terms. This right of first refusal may be time limited and may include a payment to secure this right.

## Strategic Partnership

Partnerships developed with the intention of being long term are of strategic benefit to both companies and universities. Strong strategic partnerships begin with compatible partner selection, meaning each party brings value, sees the need for such partnership, recognizes the other parties' strengths, and is willing to give up something (\$, IP, rights, control, etc.) to make the partnership work. They are maintained with a high level of trust and communication amongst the parties, attention to management of both the projects and the relationship, and allowance for flexibility in rapidly changing environments.

## Term Sheet

A non-binding document that describes, in layman's language, the primary business terms agreed to by the parties before involving an attorney who will draft a legally binding document. Term sheets typically include clauses that address: the scope of the IP to be licensed (level of exclusivity, fields of use, geographic territories); payment terms (such as up front licensing payments, royalties on product sales); sublicensing rights (if applicable); a timetable for a diligent development of products based on the IP (which in turn is tied to specific performance milestones); the terms of IP management (patent prosecution, patent cost reimbursements etc.); and terms and conditions for the transfer of the license (if allowed) in the event of a sale, merger, or acquisition.

## Warranty

[An agreement](#) by a person to another person that a good or service will perform as promised or that a statement is true. Warranties on goods and services are typically limited in time and in remedy. In license agreements, universities generally provide a warranty that it owns or controls the IP it is licensing (i.e., a warranty of title) and that it has the authority grant the rights it is licensing (i.e., warranty of authority). Warranties may be expressly disclaimed.

## Reference

UIDP Insights for Researchers Learning Path:

<https://uidp.org/custom-type/researcher-resources/>

UIDP Contract Accords:

<https://uidp.org/publication/contract-accords-2020/>



## Strengthening University-Industry Partnerships

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