February 21, 2025

Response to NSF RFC on Proposed Intellectual Property Options

Today, COGR filed the following response to the NSF Request for Comments (RFC) seeking public comment on "the proposed implementation of new intellectual property (IP) provision options for use in NSF public-private partnerships, particularly those advancing research and development, that include co-funding of awards by private partners." Responses were collected via the use of an electronic form that did not permit the uploading of attachments. Accordingly, COGR's responses were submitted using that form and are copied below.

The responses were developed by members of COGR's Research Security and Intellectual Property Committee.

If you have any questions regarding this matter, please contact Kevin Wozniak, Director, Research Security and Intellectual Property, at kwozniak@cogr.edu.

Question 1: Overall Impact: How do you believe these proposed IP options will impact innovation, technology transfer, and economic growth?

COGR and its members appreciate NSF's intention "(t)o enhance the effectiveness of public-private partnerships." However, we believe that providing a prescribed set of intellectual property (IP) access terms will not give the "greater flexibility and balance" NSF is seeking. Rather, we believe it is likely to have a detrimental effect on the impactful licensing of federally funded research results. Our member institutions have long engaged in the transfer of federally funded technologies for commercialization. These activities have been remarkably successful. They have created new jobs, contributed to U.S. economic competitiveness and global technological leadership, advanced public health, and strengthened national security.

To put this in perspective, based on data published by AUTM, in 2023 alone, the U.S. Patent and Trademark Office issued 7,391 patents to U.S. universities. Additionally, U.S. universities executed over 9,000 licenses and options and spun out more than 900 new companies, resulting in more than 700 new commercial products.

Universities and research institutions are responsible for stewarding the discoveries and IP developed by federally funded research. While there are certainly areas where improvements can be made, providing prescribed, generic terms on the disposition of IP will have a detrimental impact, if any at all, on the commercialization of IP by limiting the ability of non-profit research institutions and their industry collaborators to tailor licensing terms to particular situations.

We strongly encourage NSF to take an alternative approach by establishing core licensing principles or best practices to inform and guide the parties during negotiations. The University-Industry Demonstration Partnership (UIDP) has published a set of sixteen Contract Accords that "provide practical guidance and insight into how parties can address" access to foreground IP and software, along with a host of other topics, "in mutually beneficial ways" that can serve as a framework for NSF's efforts.

Question 2: Balance: Do these options ensure a balanced distribution of IP rights between academia and industry partners? How can the proposed IP options be further refined to ensure maximum balance in IP arrangements?

NSF needs to consider current sponsored research contracting practices, particularly those directly between industry and academia, in any action it may propose to facilitate the negotiation of IP rights owned by universities. Not only are universities heterogenous and subject to different non-federal regulations and policies, but each sponsored project also presents a unique set of parameters based on the proposed research, the parties' monetary and non-monetary contributions, the likely outcomes, and various other project-specific factors. These practices have been established to balance various needs (including, but not limited to, IP access rights) of academia and industry.

By way of one example, it is common for sponsored research agreements between a company and a university to address the parties' obligations for patent costs. Generally, exclusive licensees of university IP are obligated to reimburse the university for such costs. University technology transfer offices (TTOs) operate in a resource-constrained environment. Patent expenses are one of the biggest expenses incurred by TTOs. The proposed Research License with Commercial Option (Option A) and Convertible Commercial License (Option B) remain silent on this topic, and thereby seemingly impose an obligation on the Project IP owner to incur patent costs without reimbursement during the 18-month period from the date of disclosure. This would potentially create significant financial risk for the TTO and its parent institution.

Question 3: Flexibility: What additional flexibility should be incorporated into the IP options to accommodate and incentivize a range of research initiatives?

As noted in our response to Question 1, we encourage NSF to publish core licensing principles in lieu of a prescribed framework such as the one described in the RFC. Core principles not only provide guardrails for negotiations between the parties, transparency in the process, and a level of certainty to potential industry partners, but they also afford the parties the greatest amount of flexibility in reaching balanced IP access terms based on the specific proposed research.

If NSF endeavors to establish an IP option framework through the proposed rulemaking process, NSF must clarify the statement in the Supplemental Information section that says the IP options "can be tailored according to the particular research area and the specific terms and conditions agreed upon between NSF and the partner(s) in a particular public-private partnership." The role in and the extent to which an awardee may choose the IP option and tailor it is unclear. Any approach that does not allow the awardee to tailor the IP option based not only on "the particular research area" but also on other factors (as referenced in other responses) is inflexible and potentially disincentivizing.

Question 4: Adoption: What strategies could NSF employ to encourage widespread adoption of these IP grant-of-rights options among potential partners?

As previously stated, COGR urges NSF to publish a set of core principles and best practices that the parties should maintain during the negotiation process instead of adopting the IP grant-of-rights option framework. Optimal licensing arrangements can vary considerably even for innovations in the same technology sector. Published core principles can inform the parties and better shape the license agreement without impeding the parties' ability to develop flexible terms that benefit both the licensor and licensee.

In the absence of this, we urge NSF to clarify the points raised in our full response and endeavor to provide maximum flexibility in each funding proposal and award agreement.

Question 5: Barriers: What potential barriers exist in implementing these IP grant-of-rights options, and how might they be overcome?

Two issues not clearly addressed by the proposed IP option framework are: (i) the exercise of the right of first negotiation for an exclusive license, and (ii) the creation of jointly developed IP.

The exercise of the right of first negotiation for an exclusive license. The RFC and each option schema anticipate the participation of multiple industry partners. Options A and B provide for any industry partner the right to exercise the first option to negotiate. However, the RFC does not provide for the possibility that more than one industry partner seeks to exercise that right; by definition, an exclusive IP license can be granted only to a single party.

The creation of jointly developed IP. It is foreseeable that the industry partner's in-kind contributions may include staff time of those working on the research project. As such, the potential exists for the creation of jointly owned IP among the university and one or more industry partners. Options A, B, or C do not address the treatment of such jointly owned IP, with respect to grants of rights to either the industry joint owner(s) or the non-owning industry partners.

Question 6: Translation and Incentives: Do the proposed IP options effectively promote the translation of research into practice while incentivizing industry participation and ensuring benefits for universities and researchers? What improvements could be made to enhance these aspects?

As noted in the response to Question 2, current research contracting practices adopted by universities have been adopted to incentivize industry sponsorship to the greatest extent possible. Similarly, TTOs already use various IP approaches to facilitate licensing IP and that promote the translation of research into practice. Generic IP options constraining acceptable licensing structures may hamper, not encourage, participation by both industry and academia.

Question 7: Additional Options: Are there other IP grant-of-rights options or frameworks that NSF should consider to better support collaborative research initiatives and facilitate impact?

As noted in our responses to Questions 1 and 3, we encourage NSF to evaluate the benefits of publishing core licensing principles, such as the UIDP Contract Accords or those contained in Nine Points to Consider in Licensing University Technology, instead of a prescribed set of IP options, such as those described in this RFC.

Failing that, we recommend that NSF add field of use and jurisdiction restrictions to Option A and Option B. While an exclusive license is necessary and appropriate at times when granting commercial rights, it is important to consider the potential impact granting broad rights may have on additional research and commercialization efforts. One way to balance an industry partner's needs with these considerations is to limit the rights available for licensing to the company to the field(s) of use and the jurisdictions in which the company operates.

Question 8: Additional Comments: Is there anything else you would like to add?

COGR strongly encourages NSF to include all stakeholders as it continues to explore opportunities to foster university-industry collaborations through its funding programs. With a "seat at the table," TTOs can help create solution-oriented IP approaches that facilitate the licensing of IP resulting from NSF funding across technology areas and technology readiness levels. While the proposed IP options provide a level of certainty to industry partners in accessing Project IP, the framework reduces the IP owner's flexibility in making sound licensing decisions and being the good stewards of federally funded IP as mandated by the Bayh-Dole Act.

If NSF continues to pursue this framework approach, additional clarity is imperative on the following items:

•In the Supplementary Information section of the RFC, a direct partnership is defined as "an explicit agreement between NSF and one or more other organizations to jointly source (i.e., via dollars and/or in-kind offerings) a funding opportunity." NSF needs to be more explicit about the level of funding an industry partner must provide to have a right of first negotiation for the exclusive commercial license in which a university has the statutory right to own all rights, titles, and interests under the Bayh-Dole Act.

•Further, it would be helpful if NSF clearly states what constitutes an in-kind contribution for the purpose of this RFC, what value of an in-kind contribution by the industry partner triggers a right of first negotiation, and who determines the fair market value for such contribution.

•Clear distinctions should be made between the terms "commercial license" and "research-only license." In the Duke v. Madey decision, the U.S. Supreme Court ruled that a research license granted to a company could be considered a commercial license depending on the scope and nature of activities conducted under or resulting from the rights granted under it. We urge NSF to provide specificity in the scope of rights an industry partner(s) is anticipated to obtain under a research-only license, including but not limited to the ability to create additional IP that can subsequently be statutorily protected and productized, if in fact that is the intent under this framework.

•The RFC defines Project Intellectual Property as all IP that "directly results from activities funded by NSF, "including software and other copyrightable works." Options A and B provide the industry partner with the right to negotiate for an exclusive commercial license to such IP. The RFC, however, also states that "…NSF terms and conditions require the subsequent prompt publication of all research outputs – including results, data, and software…" As proposed by the RFC, the right to negotiate an exclusive license for software seemingly contradicts the requirements to publish all research outputs.