

High Tech Counsel Corner

Recently, one of our high tech clients was faced with a situation which highlighted the need to establish internal controls and processes for documenting the development and ownership of technology.

The federal government's Small Business Innovation Research (SBIR) program provides grants through various departments and agencies for the development of specific technology. While the grant recipient owns the technology developed with the grant funds, the federal government retains a non-exclusive paid-up license to use the technology for government purposes.

Defining the boundaries as to what technology was actually developed using SBIR grant funds is very important. Without appropriate documentation to establish these boundaries, there is a risk that the government may view its license as extending to technology improvements which the company developed on its own nickel and never intended to be included. This may limit the market potential for the company's products and, as a result, the company's attractiveness to investors or purchasers.

Similar issues arise in other areas:

1. In joint ventures, each participant must establish the technology contributed, the ownership rights in any technology improvements made during the course of the joint venture, and what can be used independently of the joint venture endeavor.
2. An OEM who embeds licensed technology into the OEM's own product must know where the licensed technology ends and the OEM's technology begins, particularly when the OEM modifies the licensed technology as part of its integration efforts.
3. For a development licensee who is subject to grant back license rights in favor of the licensor, the licensee must clearly define and document the technology that is subject to the grant back license and the technology that is independently developed.

If you develop technology, we encourage you to consult with knowledgeable legal counsel to establish appropriate controls and processes to document ownership of your technology. It does little good to develop the best mouse trap if at the end of the day your claim to ownership is suspect!



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