Managing the balance between secrecy and openness

Maria Engstrand and Magnus Johansson of Valea interview Haakon Thue Lie and Knut Jørgen Egelie who are conducting a PhD study on contracts between industry and universities and the balance between openness and trade secrets.

In the life sciences field, cooperation between industry and universities is frequent and often a fruitful undertaking. However, the universities’ need for scientific publication may clash with the industry’s need for secrecy in the short term for obtaining patent rights, or in the long term if trade secrets are an alternative for control of the innovation. For the IP manager about to enter such a cooperation, a balance between secrecy and openness needs to be agreed. The option to learn from the others’ doing may be limited, because the agreements are secret.

An interesting PhD study is coming to an end at the Norwegian University of Science and Technology (NTNU), in cooperation with the Center for Intellectual Property (CIP) at Gothenburg University and Chalmers University of Technology. Haakon Thue Lie and Knut Jørgen Egelie have immersed themselves in the world of secrecy management based on the contracts of some 500 collaborative projects between university and industry. Knut Jørgen works for NTNU Technology Transfer and defended his PhD-thesis successfully this Spring. Haakon works for Leogriff, an IP management firm, and finalises his studies this winter. We have asked them about their research, and how it can help IP managers handling university and industry collaborations.

What kind of contracts are you studying and how do you evaluate them?

We have reviewed the agreements behind 483 collaborative research projects between universities and industries. All the projects were funded by the Research Council of Norway between
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Is there an end to secrecy? For how long should openness be allowed? How do you take care of this in an agreement?

Around one 10th of the agreements we studied had provisions that allowed for trade secrets. Most of these dealt with the necessary secrecy to secure novelty for patent applications. In addition, some had clauses on how to keep the background knowledge secret, that is information that the parties bring into the collaboration. Less than 5% had provisions that allowed the industry partner to require research results to be trade secrets. In addition, we observed a clash of laws. In Norway, and I suspect in many other countries, the laws on trade secrecy are not really aligned with the laws on duties universities have for making their research public. This might be a problem if each party insists on the law applicable to them coming first. However, if the parties understand that only a few trade secrets are meant to last forever, and that their scope is flexible, then the legal situation gives the parties more room for negotiation.

From a life sciences perspective, we find that regulations require transparency...the use of trade secrets is limited to process features.

The first point you have – that in life sciences more openness is required, and that secrecy may not be possible – is interesting. Biobanks and clinical trial data are examples where privacy issues, trade secrets, database rights and contractual provisions all meet. Clinical trial data, when disclosed, can limit patentability. So, from a regulatory point of view openness is needed. However, from an innovation point of view, if the knowledge cannot be controlled by patents, then the industry may not be willing to invest. Timing is also an interesting issue – for how long should secrecy be allowed? And questions of layering and metadata – can you structure the data so that a researcher can find it, but only have access under a non-disclosure agreement?

Could you also comment on the fact that the BIO sector had a lower percentage of trade secret clauses?

Patenting is of course important in BIO. When it comes to trade secrets, there might be more attention paid to ethical discussions. When we look at the literature on trade secrets in collaborations between the life sciences industry and university researchers, there is much more debate about industrial influence on research than in the ENERGY sector. Perhaps this will change as sustainability, climate and ecology become more important. In the ICT sector, the debate has been less on ethics, and more on the economics of open source code.

What is your advice to the IP manager in a collaborative project between industry and university?

Our research points to the difficult act of balancing secrecy and openness – and deciding if access to the results is exclusive or non-exclusive. We found that the areas of the contracts to look at are the clauses on confidentiality and publication together with ownership and use rights. Of course, background information is important, but we rarely found any discussion on that: the norm is that the party that brings technology into a collaboration remains in control. Very few agreements deviate from that. We also observed many strange clauses on liability: some mix liability for lab personnel’s safety with language on patent infringement.

The difficult issue is really changing organisations’ point of focus. The contracts are for many just one of many obstacles to overcome, a formality before research begins. We believe that there must be a strategy for the university, so that they can balance their need to publish with a case-by-case reflection on the best way to control the innovation for the public good. This means that their administration, directors, department heads, leading scientists and project managers must understand how intellectual property can be used and actively promote balanced use of trade secrets. Then, for academics, there is also the need to ensure reproducibility – their peer researchers must be able to verify what they did. This means providing systems for giving...
access to research results under non-disclosure agreements. Then the culture must recognise trade secrets as a critical mechanism for knowledge exchange with industry and with other universities.

And then – we are back to what we studied – the agreements. There must be better templates for agreements that allow trade secrets and permit renegotiation when the results are better understood.

**Magnus Johansson, as a lawyer and authorised patent attorney (SE) at Valea, what are your comments from the stance of a contract-drafting attorney?**

Contracts are of course important tools for protecting trade secrets in collaboration with other actors, including universities. The main means to protect trade secrets contractually is to include secrecy obligations in the contract. It is, however, important that the secrecy obligation is well drafted to ensure adequate protection for the information being disclosed. More specifically a good secrecy clause should: 1) clearly – and preferably narrowly – identify the confidential information to be disclosed to the receiving party; 2) specify the purpose for which the confidential information is to be used by the receiving party; and 3) stipulate how the information should be returned and/or destroyed on conclusion.

Trade secrets are, however, by their nature elusive. Once information has been received and studied it is impossible for the recipient to ignore what has been learnt. The information received and experienced gained in a particular project will inevitably form part of the participant’s experience and will be useful for the participant in future similar projects as well. In addition to this, it may be close to impossible to prove that a particular piece of information received in one project has been in breach of a confidentiality obligation – used in a different project. For these reasons, one should always consider whether it would be appropriate – or even necessary – to complement secrecy obligations with non-compete obligations to protect trade secrets shared in a collaboration. As always, the contracting parties need to carefully consider the potential anti-competitive effect of such non-compete obligations and how these work with the applicable competition law in particular, if the obligation extends beyond the duration of the collaboration.

A final comment on the protection of trade secrets in collaborations is that the best protection is to keep the trade secret in fact rather than relying on contractual means. If the trade secret is not disclosed to the other party, the other party cannot misappropriate or disclose the trade secret. A breached secrecy obligation will in most instances be unable to provide satisfactory compensation for the aggrieved party. It is therefore more appropriate to limit the disclosure to e.g. potential customers or use other means to protect one’s trade secrets than to rely on a Non-Disclosure Agreement. For instance, one should delay disclosing new product ideas until the appropriate applications for registered intellectual property rights have been filed rather than disclose them as a trade secret. The excessive use of Non-Disclosure Agreements will also over time create quite a cumbersome burden on recipients of the information as the information received somewhere in the organisation under confidentiality will quickly amass and pose an increasing risk for breach of contract.

**The study referred to is directed to contracts between universities and industry. Could the conclusions also be applicable to other collaborations such as between industry and industry?**

The study is in my view quite to the point when it comes to the universities’ fundamental interest in disseminating knowledge gained and how this may come into conflict with the industrial partners’ desire to use secrecy to protect knowledge gained. I also find the discussion on how these interests can meet and find a common way forward, not least by delaying publication/dissemination of the knowledge gained, interesting. I believe that collaborations between industry actors can gain from the structures used in university/industry to deal with the conflicting interests between dissemination and secrecy, rather than routinely utilising blanket NDAs to protect their interest.

**We look forward to the final conclusions from the work of Haakon Thue Lie and Knut Jørgen Egelie, hoping to learn more from this academic venture into the world of otherwise confidential contracts.**

We have interviewed Haakon Thue Lie and Knut Jørgen Egelie, the authors of the conference paper Trade secrets in collaborative research agreements between universities and industry Haakon Thue Lie and Knut Jørgen Egelie, presented at DRUID19, Copenhagen Business School on June 21 2019.

**Haakon Thue Lie**
Haakon Thue Lie is a director and co-founder of Leogriff AS, an Intellectual Property management firm. He is a European patent attorney and European trademark and design attorney. Haakon is a PhD candidate at NTNU, Department of Industrial Economics and Technology Management. He belongs to the research staff at CIP (Center for Intellectual Property).

**Knut Jørgen Egelie**
Knut Jørgen Egelie is head of intellectual property rights at NTNU Technology Transfer. He has a PhD from NTNU’s biology department on Management of intellectual property in university-industry collaborations – public access to and control of knowledge. He belongs to the research staff at CIP (Center for Intellectual Property) and is a registered technology transfer professional – RTTP.

Magnus Johansson is a partner and manager in the legal team at Valea AB. He has an LLM and is a lawyer and Swedish authorised patent attorney.