

University Case Moves to Local Court INVENTOR RIGHTS AT STAKE



The University of Missouri, like most public universities, has been hard hit by recent economic woes. And while new President Gary Forsee has raised tuition, implemented a hiring freeze and cut into employee benefits, he is also focusing on faculty created inventions to bring big royalties into Missouri's cash-strapped university system.

In 2008, the four-campus system of the University of Missouri (MU) spent \$1.2 million on its licensing ventures and got a return of \$6.4 million on their investment. Forsee is projecting that by 2014, licensing royalties will reach \$50 million. A 781% growth rate seems overly optimistic to Dr. Joshua B. Powers, an expert from Indiana State University who studies academic entrepreneurship and intellectual property, who recently said, "If you look across the country at the data, the odds are stacked against that kind of success."

Dr. Powers ventured further on the topic, stating, "I think there's some naiveté across the country amongst senior administrator types thinking, 'Wow if the University of Florida can do it or if MIT can do it, then of course we can do it', and they may be able to do it, but if you look at the data - it's going to be a tall, tall challenge."

Powers' research indicates that of the 160 U.S. universities who are claiming a positive return on their intellectual property investments, the top ten research universities, including Yale, Harvard, Duke, MIT and Columbia, are generating over 60% of these royalties.

With the odds stacked against these projections and financial pressure mounting, could the University of Missouri's lawsuit against Professor Galen J. Suppes be aimed at easing its money woes or intimidating other faculty inventors to tow the line?

Popular with students, a prolific academic writer and inventor and winner of one of the EPA's top honors: the Presidential Green Chemistry Challenge Award - sounds like a feather in the cap of the University of Missouri... But he was instead recognized in a lawsuit filed in Federal court charging him with thwarting the rights of the University, losing it profits, prestige and opportunities.

When the Federal district court dismissed Missouri's case, MU filed in the Boone County court a suit identical to the one dismissed earlier that day. The University is again asking for every invention Suppes has made since 2001 to be assigned to it in addition to unspecified damages. For the University, ownership rights and profits seem to be the key issue, but the controversy runs much deeper than that.

In its most recent complaint, Missouri alleges on page four that "Suppes has... submitted invention disclosure forms that were altered... On these occasions Suppes submitted the forms without bringing his alterations to anyone's attention."

What Suppes did, and freely admits, is that he "submitted invention disclosures on forms that did not automatically assign the rights to the University. I used language like submitted according to the Collected Rules and Regulations." However, in reviewing one of the invention disclosure forms Suppes submitted, what is visibly obvious is that he was not trying to obscure that he was tendering a non-standard form. The very first word at the top left of the form is Modified. Also, the font and format are different, while the language is nearly identical with the exception of the automatic assignment clause which is normally directly above the inventor's signature on the last page of the form and a section for a witness to the disclosure form to sign.

The only way Missouri's Technology Management & Industry Relations (TMIR) office would not have noticed the modifications is if they had not given them even a cursory review. Of interest, and relevant to this accusation, is that in 2007, the TMIR proposed a revised invention disclosure form that the Patent Committee approved, sight unseen, that had only one substantial change. The signature and date line for a TMIR representative to complete once the form had been reviewed was removed.

One has to wonder why Missouri's TMIR wanted to remove the one line that would establish its accountability for processing the invention disclosure forms. With only 77 new inventions disclosure forms received system-wide in 2008, how difficult is it to review each form and sign and date that this was done?

As to why Suppes submitted modified forms, he says "If the MU Tech Transfer Department did not pursue patent and commercialization, they would not have automatic patent assignment. It puts the inventor at a better position to keep rights to inventions that the University does not patent or commercialize. When the MU Tech Transfer department decided to pursue patent, I always assigned inventor rights according to the Collected Rules and Regulations. The problems arose when MU did not pursue a patent and yet refused to release the invention back to me."

This lawsuit is the culmination of years of controversy between Suppes and the Office of Intellectual Property Administration of the University of Missouri. In fact, it was Suppes who initiated formal review of these issues, beginning with an appeal to the University Patent Committee requesting that they make a ruling on four patent applications, asking that they "declare that the '971 patent, along with three other patent applications, were his and not the University's" because he conceived and reduced these inventions to practice prior to employment with and outside the scope of his duties at the University.

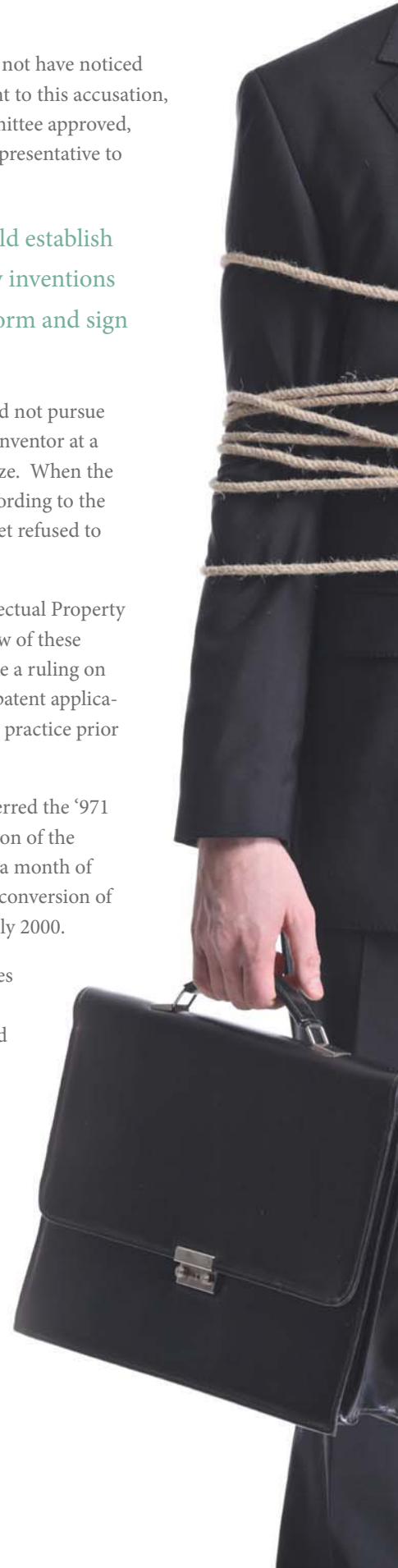
The Patent Committee rejected Suppes' request with respect to three of the inventions and referred the '971 patent to outside counsel for a determination. Leaving the other three patents aside, the question of the '971 patent is itself perplexing. This patent, applied for on September 5, 2001, was filed within a month of Suppes beginning his employment at Missouri. Moreover, it was not a new patent filing, but a conversion of a provisional patent application to a non-provisional that had been filed over a year prior in July 2000.

The '971 patent was granted in June 2003 and is titled "fatty-acid thermal storage devices, cycles and chemicals." This technology is a complex work of chemistry and was obviously invented prior to his employment at Missouri. So one has to wonder why the Patent Committee referred the matter to outside counsel instead of relinquishing any claims on the innovation which was so obviously not its to own or direct?

Who sits on the Patent Committee of the University of Missouri that rendered this biased ruling? The Patent Committee is made up primarily of administrators associated with various tech transfer offices and functions and has a minority of 20% faculty representation. After the Committee made its recommendations regarding Dr. Suppes' intellectual property, President Forsee affirmed their decision. This is the same committee that approved the new invention disclosure form sight unseen.

In contrast, most research universities have appeals systems that consist largely of faculty members, some even with seats for student representatives, and thus maintain the appearance (and hopefully the fact) of impartiality.

Suppes had offered, and included emails and letters in his court filings to support his claims, to submit to binding arbitration to settle the issue, but when the University was non-responsive, he sought another solution.





Still acting within the University of Missouri system, Suppes filed a formal grievance against several administrative personnel he felt were mishandling intellectual property in general, and his innovations specifically. However, on the day before the grievance panel was to convene, the University filed the lawsuit and terminated the grievance process.

Suppes said recently, “I believe the primary motivation of the lawsuit filed against me by the University is an attempt to bully me into stopping my pursuit of justice. When they began their lawsuit, they ended the grievance I had filed against certain MU administrators who had performed substantial violations of the MU Collected Rules and Regulations. The grievance results would be very embarrassing to the University.”

Why did the University of Missouri not allow its own internal appeal mechanism to address this matter? The Grievance Resolution Panel (GRP) was a five-member panel made up of five tenured faculty members but this year changed to a three member panel of two faculty and a senior administrator. This policy change was made in 2008 and implemented January 1st, 2009.

Suppes says, “The administration has no problem with using their self-appointed committees [such as the Patent Committee] to make decisions, but in 2008 they ended the old grievance process that had a five member faculty committee. I believe my grievance filed against an attorney and Vice President of the MU System administration prompted the administrators’ push to change the grievance procedure.”

Either way, the University halted the due process of its own resolution system and went to the courts, along the way cutting short the mechanism it had itself established to address issues of this type.

For Suppes, the core of this controversy is whether MU is properly stewarding innovations of his and fellow faculty scientists. Dr. Suppes and other Mizzou faculty continue to be disappointed in the conduct of its University with regard to their intellectual property.

“The abuses started by the University not releasing intellectual property when inventors requested when MU was doing nothing with the IP. This abuse continued as would be expected when administrators are not held accountable,” Suppes said recently.

To understand Dr. Suppes’ concerns, the first document to consider is the Invention Disclosure form the University provides. The form states “I hereby agree to assign all right, title and interest to the invention to the Curators of the University of Missouri and agree to execute all documents as requested, assigning to the Curators of the University of Missouri my rights in any patent applications filed on this invention...”

In order for a faculty scientist to disclose their innovation in compliance with University policy, they must give away all rights to their work.

Disclosure is required and assignment is forced in the language of the form. Very few, only twenty percent, of the top research universities utilize forced assignment language in their disclosure forms. If the University decides not to pursue patenting the innovation, they will release the invention back to the inventor, but only after the faculty member agrees to a 7.5% royalty fee (the standard is 2.5%), execution of indemnification documents and after a costly insurance policy on the technology is obtained by its inventor.

If the University does not want to pursue the innovation or is not entitled to rights in the innovation, why place all of these administrative stumbling blocks in front of their inventors? If the University does decide to pursue licensing, they do not seek input from the inventor, which can result in contractual limitations on obtaining research funds to expand on their own work.

Suppes insists that in every case where the University has decided to pursue patenting and licensing, he has assigned rights to them. However, in one instance that is particularly rankling to the scientist is when he spent \$540 out of pocket to gain a provisional patent and MU wanted him to assign rights to them, yet refused to reimburse the small sum he expended.

It is not Dr. Suppes alone who is frustrated with the process at Mizzou. Dr. Jeffrey Phillips, the inventor of Zegerid, an acid-reflux treatment, which produces much of the annual licensing revenue the University enjoys, is discouraged by the way the University has treated his innovations and also believes the system is broken.

When Phillips disclosed his innovation, the TTO told him “we don’t have the money and don’t want to pursue it.” However, Phillips’ Chief in the Department of Surgery believed in his work and used department funds to finance the patent process. But, once licensing opportunities opened up, Phillips says, “After it was a great success, they [the University] took it over.”

Phillips believes these issues are system-wide, saying, “The reality is, if you go and dig, this is what happens with other successes. I had to essentially find my own outside personal legal counsel to license it. This invention is a success not because of the University, but in spite of it.”

In fact, Phillips says, “I had to beg them [TTO personnel] to meet with me and they were inconvenienced by that. They would call me and cancel meetings and say they would check their schedules and get back to me and then never would.” Phillips believes these problems extend far beyond

the Missouri campuses saying, “From talking to faculty from around the country, except for some rare instances, this is just how it works.”

“With the exception of places like Stanford where they really get it, what you have out there is a few people working to bring their inventions to market and succeeding in spite of their University.”

Phillips, like Suppes, is frustrated with the technology transfer process at the University, but remains loyal to the institution itself. “The faculty inventors love the University and want it to succeed” according to Phillips, but, “the real challenge is dealing with the administrators. They say you’re not a team player, but I am the ultimate team player. The University of Missouri has great potential and always will. It’s right around the corner, but they won’t let us get it.”

Even Forsee admitted in his State of the University address earlier in 2009 that “our University has not done a great job” in its commercialization efforts. With this on the record, one wonders if the right hand at Missouri knows who the left hand is suing?

When dismissing the case at the Federal level, U.S. District Court Judge Scott O. Wright said the question of when Suppes conceived of and completed his invention might not be a legal one. “Plaintiff has not cited a specific section of the Patent Act that would support its allegation that ‘determination of the date of invention, including the date of conception and the date of reduction to practice, is a question exclusively governed by federal patent law.’ Rather, when an invention was conceived is more a question of common sense than of patent law,” the court said.

Undaunted by the University’s legal move of filing in the county courts, Suppes plans to file a countersuit himself in Boone County. He believes “the county court with its emphasis on contract law is a more appropriate venue to focus on the key issues than a Federal court under the context of patent law issues.”

Dr. Suppes recently said that he will stay on at the University of Missouri because he remains committed to the University’s core mission of teaching, research and service. He is still employed there and says he has no plans to leave.

The researcher is standing firm on behalf of the faculty inventors at MU, who, Suppes says, “...are held hostage by indifferent administrators and reams of red tape that crush faculty morale. What’s been needed for a long, long time is someone to stand up to them. I happen to be the person who, finally it was worth it to me to stand up to them.”