

## Collaboration Agreements-Agree Now or Fight Later

*Biodiesel Magazine*

---

August 1, 2010

**Gary D. Colby**

**Industries:** Alternative and Renewable Energy

Biodiesel production facilities are intended to operate at or near capacity. However, when circumstances leave a plant with excess staff or production capacity, availability of excess capacity or plant space offers opportunities to collaborate with others in developing technology that may give a producer an edge when the capacity or space can be rededicated to commercial production.

It is critical that legal arrangements appropriately secure the collaborators' interests, and grant to each party a defined share of the anticipated fruits of the collaboration. A written collaboration agreement secures those interests and forces the parties to clearly specify their interests. Several issues should be addressed in substantially all collaboration agreements.

**Confidentiality** Confidential information can be a valuable component of the assets of a biodiesel producer. Parties seeking to collaborate with producers often have confidential information about the subject matter under development. Nondisclosure of a collaborator's confidential information is usually a basic assumption in a collaborative setting, however, the boundaries of confidentiality obligations are often not intuitively clear.

A collaboration agreement should set clear boundaries and responsibilities for protection of the parties' confidential information, including identifying the types of confidential information that each party has or expects to generate; indicating the time period during which confidentiality must be maintained; and specifying limitations on use by either party of the other's confidential information.

Disclosure of confidential information in violation of a collaboration agreement may not satisfy a state court's requirements for an injunction until after lengthy discovery and trial periods. To avoid such delay, a collaboration agreement should include a term authorizing a court to issue an injunction to mitigate or prevent disclosure of confidential information in violation of the agreement.

**Intellectual property ownership** The goal of collaborative efforts is often to develop new information or technology. Intellectual property rights (e.g., patent rights) in such developments can sometimes be obtained, depending on the laws applicable to the collaborative efforts. Those rights can have significant value, particularly where such IP rights include the right to exclude others from practicing the developments. There are costs associated with obtaining IP rights. Furthermore, most IP rights can be lost or devalued by acts or omissions of collaborators.

*Continued*

---

Collaboration agreements should address IP rights that can foreseeably be expected to be created during the collaboration. The agreement should specify which of the collaborators will own the IP rights and any conditions on ownership. The agreement should specify which party will have responsibility for securing the IP rights, including who will decide whether to secure the rights. Significantly, the agreement should specify responsibilities that each party shall have for supporting creation of IP (e.g., reporting, not disclosing, and cooperating in securing of IP), especially when that party will not own it.

**Funding and ownership of tangible property** A collaboration agreement should clearly indicate all foreseeable payments to be made and all tangible materials to be supplied by each party. The agreement should clearly indicate which party will retain ownership of tangible properties and the timing of any change of ownership.

**Liability** Legal liability (e.g., products liability or patent infringement liability) can be a significant risk in some projects. Collaboration agreements should clearly identify which party will be responsible for such liabilities and the requirements that each party shall have to avoid, report, defend, and cooperate with the other party to resolve liability claims.

**Termination** It is critical that each party have the ability to either predict or control the date on which its participation will end, so that the party will not be subject to unanticipated responsibilities and obligations. Every collaboration agreement should specify when the collaboration will end. Contingent or renewable termination dates can be appropriate, but parties should avoid terms that link termination with events or conditions that may turn out to be unattainable. Furthermore, each party should normally insist that the collaboration agreement be terminable upon the occurrence of events of significance to the party. Termination provisions should clearly specify which provisions of the agreement will survive termination of the agreement. By way of example, confidentiality and (intellectual and tangible) property ownership provisions commonly survive termination of such agreements.

It can be tempting to begin collaborative work with another party without the perceived trouble and expenses of drawing up an agreement to govern the collaboration-or to insist on a short agreement that does not address the issues discussed above. Collaborating without a relatively comprehensive agreement ignores the risks inherent in such work. By investing time and effort before commencing a collaborative effort, collaborators can ensure that their plans and expectations match, and minimize or avoid disputes that might otherwise spoil the effort.

Simply put, resolving potentially disputable issues in a collaboration agreement before beginning the effort will be simpler and less costly than fighting through disputes that arise from the absence of an agreement.