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Judge awards $32 million in inter-institutional agreement dispute

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Last week, a federal district court issued a ruling in the longstanding dispute between the Wisconsin Alumni Research Foundation, the technology transfer office of the University of Wisconsin, Madison ("WARF"), and Washington University in St. Louis ("WashU"). At the heart of the dispute was the 1995 inter-institutional agreement ("IIA") between WARF and WashU covering a patent that had been co-developed by scientists from the two institutions.

The case revolved around the relative value that WARF assigned to the patent when calculating royalties due to WashU under the IIA. When the patent was added to the IIA in 1998, it was assigned a relatively low value. However, once the patent was licensed to Abbott Laboratories (later, AbbVie) and included as a critical component in AbbVie's drug, Zemplar®, the value should have increased, according to WashU. It stayed the same, however, and WashU argued that WARF had breached the implied covenant of good faith and fair dealing in the IIA by not adjusting the patent's relative value. WARF, on the other hand, argued that WashU's claim was time-barred, since it related solely to the initial determination of value in 1998, and that WashU had not raised any issues regarding the amount of royalties it had received in more than a decade, despite WARF having providing WashU the information it needed to assess the patent's value.

In 2016, the lower court ruled in favor of WARF, stating that while the implied covenant of good faith and fair dealing did indeed require WARF to assign relative values fairly and in good faith, WashU's claim was time-barred. A year later, the court of appeals disagreed, reasoning that a genuine issue of fact existed regarding the two theories WashU put forward to preserve its claims. First, WashU argued that its claims were preserved under Wisconsin's "annual payment exception," which made each annual payment—several of which occurred within the statute of limitations—a separate violation. Second, WashU argued that the principle of equitable estoppel should apply, because WARF's alleged concealment of information prevented WashU from timely bringing suit.

Though the opinion of the district court on remand is sealed, the court ultimately sided with WashU, ordering WARF to pay WashU nearly $32 million.

This case highlights the risks associated with what are often viewed as simple, administrative agreements that are commonplace among academic and other research institutions. IIAs are used

ubiquitously to manage the joint ownership interests of academic institutions in the intellectual property arising from their researchers' collaborations. Indeed, these agreements are so commonplace that standardized approaches have been developed, such as the so-called Model IIA, a form document relied upon by over forty participating institutions, to help streamline this aspect of technology transfer operations. While this model may adequately address the needs of cooperating research institutions, every situation is unique in some respect, and care should be taken to avoid pitfalls and ensure a proper meeting of the minds between contracting parties. These agreements are intended to foster a mutually beneficial relationship between institutions that are entered into without contentious or protracted negotiations. Still, efforts taken both at the outset and throughout the lifecycle of IIAs to maximize clarity can pay dividends down the road.

Whatever your institution's process may be for creating and managing its IIAs, this case is a useful reminder that, while rare, acrimonious disputes can arise even under the most collaborative of circumstances. Precision in initial drafting, periodic updating of forms and templates and careful examination of IIAs under which significant revenue is being distributed or received can each be valuable exercises and a matter of good housekeeping for any technology transfer office.

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