

MAHARASHTRA NATIONAL LAW
UNIVERSITY, NAGPUR

1ST MNLU-N NATIONAL COMMERCIAL MEDIATION COMPETITION, 2023

(VIRTUAL)

APRIL 14-16, 2023



FINAL ROUND COMPETITION PROBLEM

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THE HEALING SHORTS - A PATENT DISPUTE

Background -

Radar Global Therapeutics (RGT), is a privately owned company with over 20 years of experience in the design, manufacturing and marketing of medical-grade products based on electrical muscle stimulation (EMS), based in Melbourne, Australia. It manufactures various products related to lower back pain, spinal cord injuries, chronic obstructive pulmonary diseases (COPD) amongst others. According to a recent report by Hansa Medical School, Stress Induced Incontinence (SII) is a major medical problem affecting up to one third of middle-aged women, as well as men, particularly after prostate surgery or a pelvic fracture. A wide spectrum of treatment options are available for patients with SII including absorbent pads, surgery (e.g. bladder outlet reconstruction) and electrical stimulation. However, treatments that are reversible, simple, non-invasive and cost-effective are optimal for most patients. RGT came across this report and decided to devise a technology capable of treating SII in the most effective way possible.

Ms. Siobhan Swami is the professor, research and development (R&D) Head and an expert physiotherapist with specialization in EMS technology from National University of Medical Science (NUMS), Chennai, India. NUMS is an autonomous State University. She has been associated with NUMS for the past 25 years and feels intrinsically connected with it because of this long association. She has done significant research on EMS technology for the last 6 years, and has been working on it with a special focus on treatment of SII. Her research was finally consolidated and was published in the International Journal

of Medical Sciences where she discussed devising a wearable device with inbuilt technology that could treat the disease (SII). Mr. Johnny Pep, the CEO of RGT came across this publication and after consulting his team decided to contact her and appoint her as their consultant for the project of developing innovative technology to treat SII.

Thereafter, they reached out to her to discuss the prospects of this association. Ms. Siobhan agreed to take up the post as their consultant and share her research with them. However, she said that she cannot associate with RGT in her personal capacity and her employer (NUMS) needs to be a part of this collaboration/association as she undertook the research during the course of her employment. Furthermore, there was also a clause in the employment contract with NUMS that any Intellectual Property designed and developed during the course of the employment completely funded by NUMS would lie with NUMS. Since RGT saw immense potential and wanted to move forward with the project they agreed to collaborate with NUMS.

Ms. Siobhan met Mr. Ramesh Babu Iyer, Dean of NUMS and told him about this offer by RGT. NUMS also wanted to invent this innovative device and realized that RGT has the potential to get the product global recognition and also invest in manufacturing, setting plants, etc. He agreed to collaborate with RGT and a meeting was held between Jerry Holland, legal head of RGT and Ms. Kayena Devarakonda, legal head of NUMS along with CEO and dean of RGT and NUMS respectively.

NUMS considered RGT as the commercial partner in the project and a Collaboration Agreement and a License Agreement was signed between the two parties. The Knowledge Transfer Office (KTO) of NUMS led the negotiation of key licensing terms, and then drafted the collaboration agreement, which was executed by the parties.

Relevant Clauses

Collaboration Agreement - relevant clauses

1.1 *Collaboration material* - For the purposes of this agreement, collaboration materials means any technology, technical know-how, inventive secret, empirical research used for the purpose of development of the multipath technology used in developing Healing Shorts.

1.2 Any invention created by NUMS and RGT during the performance of the Research that constitutes or incorporates a combination of NUMS Materials and RGT Materials shall be deemed "collaboration materials" for the purposes of this Agreement. Each party shall use any Collaboration Materials including technology, technical know-how and inventive secret, solely for the purpose of developing "Healing Shorts." Neither party shall or promise to sell, make available or transfer any Collaboration Materials to any other person or entity without first receiving the other party's prior written consent. Neither party shall use any Collaboration Materials in research that is subject to consulting or licensing obligations to any for-profit entity.

1.3 Any intellectual property (IP) including patentable technologies conceived, created, or reduced to practice out of research undertaken during the course of the performance of this Agreement will be jointly owned by the RGT and NUMS . No party can freely sublicense, share or promise to share with a third party or otherwise exploit such IP without the prior written consent of the other Party.

Dispute Resolution Clause

2.1 If a dispute arises between RGT and NUMS relating to the terms of this Agreement, RGT and NUMS shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement, before formal legal proceedings are instituted undertake mediation before IAMC, Hyderabad.

The Invention -

RGT and NUMS collaborated for this project and a new technology called “multipath technology” was devised. A team of physiologists from NUMS led by Ms. Siobhan was working on developing the technology and RGT was helping them with the funds that were required for the project.

This new technology was an advancement to the EMS technology which activates muscles, causing them to contract, similarly to a voluntary muscle contraction. The technology was previously limited due to high skin resistance and difficulties targeting muscles in deeper tissues. Multipath efficiently targets deeper tissues to achieve stronger muscle contractions, thus re-educating the pelvic floor muscles that control bladder function in a completely non-invasive and pain-free way. The technology can be embedded in shorts worn by affected people. It sends gentle muscle stimulations from the electrodes on the buttocks to the electrodes at the front. This criss-cross pattern stimulates the pelvic floor muscle at the centre.

RGT decided to experiment with the newly innovated technology in the market by testing it on people. Positive results were achieved in a small controlled study on 174 volunteer patients, which focused on the use of EMS as a therapeutic modality. Further research proved that the novel device was significantly better than conventional EMS devices. Based on this data and following internal due diligence led by the NUMS’ Knowledge Transfer Office (KTO), the parties agreed to file a patent application to protect the technology. Both parties also agreed that a Joint Patent Ownership Agreement is necessary to facilitate later commercialization if joint foreground IP is anticipated.

NUMS realized that one of the primary challenges of getting the invention patented is the high costs associated with the patent process.

Patent applications require extensive research, development, and legal assistance, which can be prohibitively expensive for smaller companies and start-ups, only the largest companies with the most significant resources can afford to patent their inventions. Therefore, they needed RGT's assistance with this particular project.

Negotiations for the Joint Patent Ownership Agreement were initiated between the parties and the following questions were deliberated upon, inter alia -

- In which country should the patent be registered, India or Australia?
- Who will lead the patent filing strategy?
- Who should pay for the patenting costs?
- Who is entitled to compensation from the revenues received?
- Who will have the decision making authority regarding exploiting the IP rights in the new "multiplath technology"?

The dispute -

The experiment was published in 2022 and was a huge success. The experiment soon took over the Indian market and there was a huge demand. Sensing the scope of growth, RGT decided to incorporate a spin-out company called "Radar Therapeutics India" (RTI) in Bengaluru, India. The goal of the new company was to market the product in India, gain profits and establish their monopoly/dominance in the Indian market.

RGT saw potential in collaborating with other parties in India and it started backdoor negotiations. An Indian pharma company, "We Heal Pharmaceuticals" reached out to RGT for their new technology and RGT consented to share the same depending on certain conditions.

NUMS came to know about these negotiations and was outraged. Their trust in RGT was shaken, as they did not want the technology to be in the public domain.

There was a heated argument between Ms. Siobhan and Mr. Ramesh Babu. Mr. Ramesh Babu was enraged as Ms. Siobhan was acting as a bridge between the two parties and she was the one who had convinced NUMS to form their association despite their distrust in the RGT.

NUMS decided to call off the ongoing negotiations for the Joint Patent Ownership Agreement (JPOA). Ms. Siobhan was also shocked at this news and started to distrust RGT. She had a significant contribution to the technology and felt that she had a say on how the technology will be used, licensed or employed, which was also stipulated in the negotiations for the Joint Patent Ownership Agreement. She is now demanding that her interests be protected.

With this regard, she met Mr. Jerry Holland, legal representative of RGT, seeking a clarification of this issue. He did not have any convincing explanation but assured her that the Joint Patent Ownership Agreement will incorporate her rights as well. NUMS and Ms. Siobhan claimed that there has been a breach of collaboration agreement and their trust in RGT is shaken. They are unsure whether they should continue their research and development work with RGT or not.

RGT (Requesting Party) and NUMS along with Ms. Siobhan (Responding Party) decided to resort to mediation to resolve the dispute. RGT will be represented by their CEO, Mr. Johnny Pep and Legal Counsel, Mr. Jerry, and NUMS will be represented by Ms. Siobhan Swami and NUMS's Legal Counsel, Ms. Kayena.