1/19/16

Who Owns Your Brain According to the Contract You Signed?

Konstantin M. Linnnik and Isaac H. Hubner
Nutter McClennan & Fish LLP

Originally published by MassBioHQ.

Whether you are dealing with a "simple" confidentiality agreement, a consulting agreement, or a multi-billion-dollar license, legal provisions are often a source of misunderstanding, confusion and frustration.
Thinking about consulting for a local biotech, starting a new job or even a new venture? Brace yourself for a barrage of legal implications you may not have thought existed.

On January 28, 2016, MassBio will host an expert panel provocatively entitled "Decoding Legal Mumbo-Jumbo." The MassBio panel is composed of lawyers as well as non-lawyers including a business development executive. The goal of the panel is to help the audience learn to spot legal pitfalls and opportunities that are so often overlooked in real-life business settings.

The story of Dr. Joseph Grocela, a urologist at MGH who moonlighted as a medical device entrepreneur, serves as a good example of how misunderstanding a basic legal provision in your employment contract may lead to dashed dreams and a lengthy legal dispute to boot.
When accepting a reappointment at MGH, Dr. Grocela effectively signed an employment contract referencing Partners' Intellectual Property Policy (the "Policy"). According to the Policy, all inventions related to appointee's activities, even those not funded by Partners are owned by the employer. In 2012, a Massachusetts judge ruled that all of Dr. Grocela's intellectual property – even from work

done at his own home – belongs to Partners Healthcare, MGH's parent company.

Dr. Grocela was both an experienced urologist and medical device entrepreneur. He invented a number of medical devices over the years, which he disclosed to MGH according to the Policy. MGH relinquished ownership of many of the medical devices (even those relating to urology) to Dr. Grocela. One odd exception was a "voice box" to help musicians harmonize and deaf people correct tone; not at all related to urology. The "voice box" invention was made by Dr. Grocela in his own home, on his own time, and with his own resources and was tested only on himself and a friend.

Even though Dr. Grocela asserted that he was not an employee of MGH, the court held otherwise because a "formal notice of appointment is the equivalent of an employment contract." Hence, the Policy governed the outcome. By accepting his appointment, Dr. Grocela "agreed to the Policy and must therefore be bound by its terms." Thus, the doctor ended up in the unfortunate position where an invention he made with his own time, money, and resources, which seemed plainly outside the scope of his employment as a urologist, was still owned by his employer.

Although they deny it, as far as I can tell, they actually do own my brain," Dr. Grocela said in an interview with The Boston Globe.

The result may seem harsh, but the court held that it was not anti-competitive or in any way unreasonable. Alas, these and other legal pitfalls are not going away any time soon.
The lesson is to always read and understand any agreement (even if it is not called a "contract"), and when in doubt, seek legal help to understand implications.

Thankfully, many of these common pitfalls and unintended (and unexpected!) consequences can be avoided. Come learn more at the January 28, 2016 MassBio Forum "Decoding Legal Mumbo-Jumbo."