

CHALLENGE DESIGN TOOLKIT

INTELLECTUAL PROPERTY RIGHTS

A guide to selecting the right intellectual property (IP) agreement for your challenge

INTRODUCTION

Welcome! The purpose of the HeroX Challenge Design Toolkit is to support clients like you in drafting, publishing, and launching their very own Crowdsourcing Projects.

WHAT IS CHALLENGE DESIGN?

Challenge Design refers to the process of assembling the proper elements* in order to effectively launch and market a Crowdsourcing Project.

*Elements can refer to:

- Background Story
 - Problem Statement
 - Current Solutions
 - Pain Points
 - Desired Outcome
- Sponsor Story
- Challenge Type
- Challenge Structure
- Prize Purse
- Challenge Timeline
- Judging Criteria
- Submission Forms
- Intellectual Property Agreement

A guide to all other elements can be found in the [Knowledge Base](#).

Congratulations on taking the first steps toward launching your crowdsourcing project! Selecting the right IP agreement can protect your ideas and the solutions that come out of your challenge. Keep in mind that IP can also incentivize or disincentivize eligible competitors to participate in or ignore your challenge. In order to encourage maximum participation from the highest quality of talent, you will need to thoughtfully consider selecting the appropriate prize and IP incentives.

HeroX has four IP templates you can choose from for your challenge. We recommend you select the agreement that best meets your needs and have your legal department review and make any necessary edits.

THE FOUR TEMPLATES

1. Innovator Retains IP - *least strict*

- a. The Innovator will retain all IP rights to their technology.

2. Sponsor Acquires IP - *most strict*

- a. The Innovator agrees to assign the sponsor the right to IP should they be awarded a prize.

3. Shared IP - *most common*

- a. The Innovator will retain all IP rights to their technology and grant the Sponsor a royalty-free, non-exclusive license to the IP.

4. Open Source IP - *least common*

- a. The technology is open source and goes into the public domain upon completion.

HEROX INSIGHTS

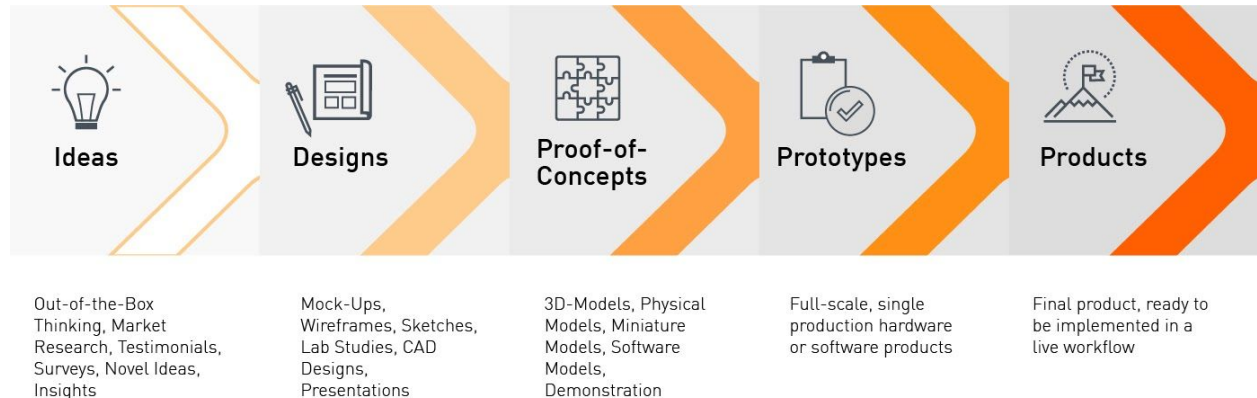
90% of all HeroX Challenges use the Shared IP template as a base agreement, and make modifications to the license restrictions, where necessary. Below, we will make the case for each IP Agreement, and highlight the pros and cons of each choice. Then, we will review commonly asked questions we receive from Sponsors. After all, we discuss IP rights with almost every client, so you are not alone!

WHICH IP AGREEMENT IS RIGHT FOR ME?

Innovator Retains IP - *least strict*

Unsurprisingly, the Innovator Retains IP template is the most welcoming to Innovators. If a talented individual is searching HeroX for opportunities to compete for prizes, he/she is far more likely to invest time and resources in a competition where they can keep all IP rights.

All HeroX challenges seek solutions in one of the following five categories: Ideas, Designs, Proof-of-Concepts, Prototypes, or Products. In the majority of Ideas submissions and several Designs submissions, no IP is even created. For this reason, if you are launching an Ideas or Designs challenge, we highly recommend you select the Innovator Retains IP template.



Select this agreement if:

- Your goal is to have a large number of diverse entries
- You are requesting ideas or preliminary designs
- Your prize value is low

Sponsor Acquires IP - *most strict, uncommon*

In most cases, we recommend that you do not use the Sponsor Acquires IP template for the following reasons:

- Many universities will not allow their students and staff to participate in a challenge with these terms
- The prize purse must be considerably higher than the value of the IP in order to incentivize innovators (even \$1M+ prizes often do not use this template)

- Competitors are restricted to only using IP that they own
- IP is often not defensible anyways, especially in other countries
- Assigning IP rights to the Sponsor following the challenge is non-trivial, especially if the winner is international.

Shared IP - *most common*

90% of all HeroX Challenges use the Shared IP template as a base agreement, and make modifications to the license restrictions, where necessary. This agreement allows innovators to retain ownership of their IP while granting you a license to use it. As a best practice, we highly recommend that you consider the Shared IP template for your challenge to increase the quantity and quality of response.

While most sponsors use this agreement as-is, you may modify the agreement. Here are some examples of modifications:

- Require the "royalty-free, non-exclusive licensing agreement" to be exclusive for the first 3-years after the challenge
- Pay royalties after a certain threshold of profit is attained
- Restrict exclusivity within a particular geographic area or within a certain industry

Talk with an IP Attorney you trust and ask him/her for guidance if you would like to customize this agreement. We encourage you, as the Sponsor, to briefly consider the perspective of the Innovator and brainstorm ways to sweeten the deal for him/her without threatening your plans for commercialization.

Open Source IP - *least common*

The Open Source IP template is common in software challenges but uncommon in most other cases. This template requires the winning innovator(s) to make the IP of their solution open source, often on a code repository like GitHub.

FREQUENTLY ASKED QUESTIONS

- Does the average innovator understand the difference between the 4 agreements?
 - Our Innovator community is comprised of mostly solvers: students, engineers, inventors, developers, etc. Although not many of the Innovators will come with legal expertise, we have found that Innovators are very keen to understand their legal rights. In order to register for each challenge, we require Innovators to agree to the Challenge Specific Agreement. We have seen a notable difference in the size and talent-level of the Innovator community in challenges with strict versus lenient legal agreements.

- What if the Innovator commercializes my idea?
 - This is a common fear among Sponsors. A lot of Sponsors initially want to select the Sponsor Acquires IP template for full protection, and we understand. You are investing real cash into this innovative experiment, and after all, this is a concept you believe could make a big difference in the world. Why would you give the idea away to “The Crowd” just so an inventor can take it to market?
 - Consider that the same expertise that exists in you (entrepreneur, visionary, manager, leader, investor, networker, seller, scaler) is not likely to exist in an Inventor (creator, thinker, researcher, builder, developer). Therefore, both skill sets are necessary in order to create a product that can successfully make it to the market. A lot of work will be required following the competition, the real value comes in the execution.

SUMMARY

In conclusion, we know that selecting an Intellectual Property Agreement can be difficult. First and foremost, you need to protect your idea or the business you represent. Secondly, in order to be successful and attract talented individuals to your competition, you need to creatively incentivize them. Every client's situation is unique. We encourage you to consider the option that best benefits both your immediate and longer terms needs.

If you have additional questions and would like to speak with a HeroX team member directly, please reach out to us at possibilities@herox.com.

PRO TIP

Not all IP Agreements need to be final here and now! This agreement allows you to engage with potential Innovators and award the best solutions a prize. Following the Submission Deadline, a lot of work will need to be done, likely while still in communication with the winning Innovator(s). Most Sponsors connect with the winners and collaborate on material sourcing, manufacturing, implementation into their workflows, etc. At any point following the close of the competition, you can renegotiate the terms of your relationship with the Innovator(s) involved.