

**HISTORY OF THE UNIVERSITY OF TEXAS SYSTEM
INTELLECTUAL PROPERTY POLICIES AND GUIDELINES
1985 TO PRESENT**

Item No. 1	Date of BOR Meeting: 12/6/85	Section Affected/New Section Added: Amendments to Patent Policy, Part Two, Chapter V, Section 2.4, New Policy Statements & Guidelines
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This is our historical "starting point." In 1985, the Board of Regents approved three Policy Statements or Guidelines, and amended Part Two, Chapter V, Section 2.4 of the Regents' Rules and Regulations with Regard to the Management of Intellectual Property (then called the "Patent Policy"). The Board's goal was to implement a comprehensive intellectual property program for The University of Texas System & its component institutions. Those documents are set forth below.

SUMMARY OF REVISION: The entire Intellectual Property (Patent) Policy was rewritten; Approval of three policies regarding license agreements, sponsored research agreements & marketing.

2.4 Intellectual Property Policy.

2.41 Statement of Basic Philosophy and objectives.-While the discovery of patentable processes or inventions and the creation of other intellectual property is not the primary objective of the System, for any such discoveries or creations, it is the objective of the Board to provide an intellectual property policy which will encourage the development of inventions and other intellectual creations for the best interest of the public, the creator, and the research sponsor, if any, and that will permit the timely protection and disclosure of such intellectual property whether by development and commercialization after securing available protection for the creation, by publication or both. The policy is further intended to protect the respective interest of all concerned by ensuring that the benefits of such property accrue to the public, to the inventor, to the System and to sponsors of specific research in varying degrees of protection, monetary return and recognition, as circumstances justify or require.

2.411 Each component institution may develop in its **Handbook of Operating Procedures** additional policies and rules covering the subject matter of this section not inconsistent with this section or other policies or procedures adopted by the Board.

2.42 General Policy.

2.421 The intellectual property policy as adopted shall apply to all persons employed by the component institutions of the System, to anyone using System facilities under the supervision of System personnel, and to postdoctoral and predoctoral fellows.

2.422 This policy shall apply to intellectual property creations of all types, regardless of whether patentable, except for faculty or staff authored written work that is not

produced either as work for hire or as a part of the regular work responsibilities of the author.

2.423 It is the intent of this policy to permit the creator of intellectual property maximum freedom in respect to their creations, consistent with their obligations to the System. Any person affected by this policy who as a result of his or her activities creates intellectual property other than on certain government or other sponsored research projects, where individual grant agreements provide otherwise, should have a major role in the ultimate determination of how it is to be made public -- by publication, by development and commercialization after securing available protection for the creation, or both.

2.424 Property rights in intellectual property will be based on the degree of System support, as hereinafter specified.

2.425 The System, with the cooperation of the component institution, will provide review and management services for patentable inventions as well as other intellectual property either by its own staff, through a related Foundation, or by other means.

2.426 It is a basic policy of the System that intellectual property be developed primarily to serve the public interest. This objective usually will require development and commercialization by nonexclusive licensing but the public interest may best be promoted by the granting of a limited exclusive license or even an exclusive license for the period of the patent. These determinations will be recommended and made in accordance with the administrative procedures hereinafter set out and with the approval of the Board.

2.43 Institutional Patent Committees and System Intellectual Property Office.

2.431 Patent Committees: To help administer the intellectual property policy at each component institution and to make recommendations to chief administrative officers for further referral to the Office of the Chancellor and the Board (in those cases when action by the Office of the Chancellor and/or the Board is required), Institutional Patent Committees shall be established as directed by the Office of the Chancellor. Each institution at its option may use the term "Intellectual Property Committee" in lieu of "Patent Committee."

2.432 System Intellectual Property Office: To assist the Institutional Patent Committees to provide advice to individual faculty and staff members in intellectual property matters and to coordinate details in respect to procedures for protecting and marketing intellectual property, a System Intellectual Property Office shall be established.

2.44 Classification of Discoveries by Source of Research Support.

2.441 The intellectual property is unrelated to the individual's employment responsibility, has been developed as a result of the individual's efforts on his or her own time, with no System support or use of System's facilities.

2.442 The intellectual property is related to the individual's employment responsibility, has resulted from activities performed by the individual on System time, with support by State funds, or using System facilities.

2.443 The intellectual property has resulted from research supported by a grant or contract with the Federal Government or an agency thereof, a nonprofit or for profit nongovernmental entity or by a private gift to the System.

2.45 Property Rights and Obligations.

2.451 Intellectual property unrelated to the individual's employment responsibility that is developed on an individual's own time and without System support or use of System facilities (see 2.441) is the exclusive property of the creator, and the System has no interest in any such property and no claim to any profits resulting therefrom. Should the creator choose to offer the creation to the System, the Institutional Patent Committee shall recommend as to whether the System should support and finance a patent application or other available protective measures and manage the development and commercialization of the property. If the creator makes the offer after obtaining a patent or other protection, the Institutional Patent Committee shall recommend as to whether the System should reimburse the creator for expenses in obtaining such protection. If the Patent Committee recommends and the creation is accepted for management by the System, the procedures to be followed and the rights of the parties shall be those set out in Subsection 2.4523 following.

2.452 Intellectual property related to the individual's employment responsibility, resulting from activities performed on System time, with support by State funds, or using System facilities. (See 2.442.)

2.4521 Before publishing, a creator of intellectual property that (a) relates to the individual's employment responsibility, (b) results from activities done on System time, (c) is created with support by State funds, or (d) is created using System facilities, shall submit such creations to the Institutional Patent Committee for determination of the System's interest. In those instances, however, where delay would jeopardize obtaining the appropriate protection for the property, the creator may, with the approval of the Chairman of the Institutional Patent Committee and the chief administrative officer, file a patent application or take other steps to obtain available protection prior to the Committee and administrative review provided in the following two subsections. If the request is granted, the creator may proceed with the filing of a patent application or other available protective measures pending the determination of the System's interest; provided, however, that the creator shall be reimbursed for expenses in filing the patent application or taking other steps to obtain protection if the decision of the System is to assert and exploit its interests. The

Chairman of the Institutional Patent Committee shall notify the System Intellectual Property Office of any such application.

2.4522 If the Institutional Patent Committee recommends that the System not assert and exploit its interest, and that recommendation is approved by the System Intellectual Property Office and the Office of the Chancellor, the creator shall be notified within ninety (90) days of the date of submission that he or she is free to obtain and exploit a patent or other intellectual property in his or her own right and the System shall not have any further rights, obligations or duties thereto. (In some instances, the Committee may elect to impose certain limitations or obligations, dependent upon the degree of System support.)

2.4523 If the System decides to patent or seek other available protection for intellectual property in which it decides to assert and exploit its interest, it shall proceed either through its own efforts or those of an appropriate private firm or attorney to obtain protection and manage the intellectual property. Under appropriate circumstances, and with the consent of the General Counsel and the approval of the Attorney General, component institutions may arrange to have services to obtain protection for intellectual property performed by a local outside attorney on a case-by-case basis. It shall be mandatory for all employees, academic and nonacademic, to assign the rights to intellectual property and patents to the Board when such creations fall within Section 2.452. The division of royalties or other income, after cost of licensing and obtaining a patent or other protection for the property have first been recaptured, shall be as follows-

50% to creator

50% to System.

With the prior approval of the Board as an agenda item, a component institution may include provisions in its **Handbook of Operating Procedures** to adjust the allocation of royalties set forth herein, but in no event shall the creator receive more than 50% or less than 25% of such proceeds. The division of royalties and other income from patents or other intellectual property managed by an intellectual property management concern will be controlled by the terms of the System's agreement with such concern, as approved by the Board. Any other deviation from this rule requires the prior approval of the Board.

2.453 Intellectual property resulting from research supported by a grant or contract with the Federal Government, or an agency thereof, with a nonprofit or for profit nongovernmental entity, or by a private gift to the System. (See 2.443.)

2.4531 Administrative approval of application requests to, and acceptance of grants or contracts with, the Federal Government, or any agency thereof, with a nonprofit or for profit nongovernmental entity, or a private donor that contain provisions that are not consistent with this policy, or other policies and guidelines adopted by the Board from time to time implies a definite decision that the value to the System of receiving the grant or performing the contract outweighs the impact of any non-conforming

provisions of the grant or contract on the basic intellectual property policies and guidelines of the System.

2.4532 The intellectual property policies and guidelines of the System are subject to, and thus amended and superseded by, the specific terms pertaining to intellectual property rights included in Federal grants and contracts, or grants and contracts with nonprofit and for profit nongovernmental entities or private donors, to the extent of any conflict.

2.4533 In those instances where it is possible to negotiate System-wide intellectual property agreements with the Federal agencies or nonprofit and for profit nongovernmental entities, or private donors and thereby obtain more favorable treatment for the creator and the System, every effort will be made to do so with the cooperation and concurrence of the Office of Asset Management and the Intellectual Property Office after consultation with the Institutional Patent Committee and the chief administrative officer.

2.4534 Employees of the System whose intellectual property creations result from a grant or contract with the Federal Government, or any agency thereof, with a nonprofit or for profit nongovernmental entity, or by private gift to the System shall make such assignment of such creations as is necessary in each case in order that the System may discharge its obligation, expressed or implied, under the particular agreement.

2.46 Any agreement altering substantially the basic intellectual property policy of the System as set out in the preceding sections and other policies and guidelines that may be adopted by the Board shall have the advanced approval of the chief administrative officer, the Office of the Chancellor, and the Board as an agenda item.

2.47 Income from Intellectual Property. The portion of the net income the System retains from royalty or other intellectual property-related income shall be used first to defray the expenses, if any, of the System Intellectual Property Office and thereafter, as approved by the Board, for research purposes at the component institutions where the income providing creation originated. At the option of a component institution, such income may be accumulated in an endowment fund administered by the Office of Asset Management with the income to be distributed to the component institution for such purposes as may be approved by the Board.

2.48 Implementation of Intellectual Property Policy. The Office of Asset Management and the Office of General Counsel through the System Intellectual Property Office shall prepare and distribute to the component institutions such Model Agreements and recommended procedures as may be considered appropriate for the implementation of the provisions of this policy as well as other policies and guidelines adopted by the Board.

POLICY AND GUIDELINES RELATING TO INTELLECTUAL PROPERTY LICENSE AGREEMENTS WITH PRIVATE ENTITIES, INCLUDING THOSE FORMED PRIMARILY FOR THE DEVELOPMENT AND/OR COMMERCIALIZATION OF INTELLECTUAL PROPERTY CREATED AT A COMPONENT INSTITUTION OF THE U. T. SYSTEM

It is the policy of the U. T. Board of Regents that state law concerning conflict of interest and Attorney General's opinions interpreting and defining such laws (A.G.'s Opinion H-1309 [December 1978], in particular, raises and discusses most issues surrounding such conflict of interest) be observed by all officers and employees of the U. T. System and component institutions in their relationships with an entity that is the licensee of U. T. System intellectual property, including one formed primarily for the development and/or commercialization of intellectual property created at a component institution of the U. T. System. Questions in this regard should be referred to the Office of General Counsel of the U. T. System for consideration. Officers or employees are not prohibited from rendering services to such entities as consultants under negotiated contracts. On behalf of any component institution, the U. T. Board of Regents and the Center for Technology Development and Transfer at The University of Texas at Austin, acting pursuant to Section 65.45, **Texas Education Code**, may participate in the formation, ownership and operation of corporations, partnerships, joint ventures and other activities authorized by such Section for the purpose of developing, manufacturing or marketing intellectual property.

The office of General Counsel shall develop a model license agreement for U. T. System intellectual property which agreement shall include, as a minimum, the guidelines set forth below. The model agreement shall be submitted to all potential licensees for U. T. System intellectual property and individuals involved in negotiation of license agreements shall endeavor to achieve utilization of the significant aspects of the model agreement for all licenses of intellectual property rights.

The following guidelines shall be applicable to license agreements with private entities including those formed primarily for the purpose of developing and/or commercializing intellectual property created at a U. T. System component institution:

- a. No entity shall be granted the exclusive right to the development and/or commercialization of all intellectual property created at a U. T. System component institution. Agreements should grant rights only on a specific project basis.
- b. If an entity is granted the exclusive rights with respect to a particular invention, product, process or other item of intellectual property, the agreement should provide that such rights will revert to the U. T. Board of Regents in the event the entity fails to diligently develop and commercialize the property within a specified period of time that is appropriate to the particular circumstances.
- c. An entity that is granted exclusive rights to develop or commercialize intellectual property that is patentable should be required to reimburse the Board for all expenses incurred by the Board in obtaining a patent or, if a patent has not been obtained, should

be required to prosecute and bear the expense of obtaining patent protection for the benefit of the Board and, in either event, the entity should be required to take all actions necessary, including litigation, to protect and preserve such patented rights from infringement.

d. The U. T. System, the component institution, and the officers and employees of each should be protected and indemnified from all liability arising from the development, marketing, or use of the particular intellectual property.

e. Restrictions on use by the component institution for research and teaching purposes and the publication rights of researchers should be minimized.

f. If the entity fails to develop and commercialize the property, any additional technology or know-how discovered by the entity should be granted back to the U. T. Board of Regents so that another entity may be offered the right to develop and commercialize the entire technology package.

g. The entity should be required to comply with all applicable federal, state, and local laws and regulations, particularly those concerning biological materials and necessary testing and approval by the Federal Drug Administration.

h. The entity should be required to maintain confidentiality with regard to any unpatented technology or know-how.

i. An entity that grants a license or sublicense to some other entity for property or technology that is in whole or in part derived from or based on that which is licensed to the entity by the Board, should be required to share with the U. T. System: 50% of any royalty received by the entity and 50% of any equity position to which the entity may be entitled.

j. License agreements should contain such other provisions as may be determined to be in the best interest of the U. T. System by the Office of Asset Management and the Office of General Counsel.

k. License agreements are subject to the approval of the Board and normally shall be submitted as docket items.

**POLICY AND GUIDELINES FOR THE NEGOTIATION,
REVIEW AND APPROVAL OF SPONSORED RESEARCH
PROJECTS WITH NONPROFIT AND FOR PROFIT NON-
GOVERNMENTAL ENTITIES**

U. T. System component institutions and individual faculty are encouraged to use their best efforts to obtain sponsored funding for research projects from governmental agencies as well as nonprofit and for profit nongovernmental entities. Each component institution should establish an appropriate organizational structure to solicit sponsors for research projects and to negotiate appropriate agreements with such sponsors with the assistance of the Office of Asset Management and the Office of General Counsel as provided below.

While it is recognized that sponsored research agreements with governmental entities and some nonprofit entities are not normally subject to change through negotiation, the Office of General Counsel shall develop a model sponsored research agreement that the component institution shall submit to all other potential sponsors for research projects.

Additionally, in its **Handbook of Operating Procedures**, each U. T. System component institution shall devise a system for early identification of proposed sponsored research projects that: (a) have potential for significant research results that may be marketable; and (b) are being developed by sponsors who are unwilling to utilize the significant aspects of the model agreement. Review currently conducted by the Office of the Chancellor and the Office of the U. T. System Comptroller with regard to the appropriateness of any financial obligations on the part of the U. T. System or its component institutions will be continued and, in addition, all sponsored research agreements evolving from the early identification procedure shall be reviewed and approved by the Office of Asset Management and the Office of General Counsel prior to submission to the Board for approval in the institutional docket. In order to facilitate such review and approval, the Office of Asset Management and the Office of General Counsel should be consulted at an early stage with regard to the negotiation of the terms that deviate from the model agreement. The Office of the Chancellor, the Office of Asset Management, and the Office of General Counsel shall adopt procedures that insure prompt review and response so that important research projects are not delayed by U. T. System Administration involvement.

It is particularly important that the following guidelines be adhered to if at all possible in sponsored research agreements with nonprofit and for profit nongovernmental entities:

- a. The U. T. Board of Regents should own the rights to all patentable discoveries, unpatentable technology, technical know-how, and other intellectual property that results from the research project.
- b. The sponsoring entity may have an option for either an exclusive or non-exclusive right to a license to develop and commercialize any intellectual property resulting from the project for a royalty in an amount to be negotiated.
- c. In the event the sponsor exercises the option for a license, it should be required to reimburse the Board for all expenses incurred with respect to a patent that has been

secured on any patentable discovery or, in the event a patent has not been obtained, the sponsor should be required to bear the expense of securing patent protection for the benefit of the Board.

d. The rights of researchers to publish scholarly work with respect to the research project should be restricted only to the extent necessary to protect the potential value of any discovery resulting from the research.

e. The agreement should contain appropriate indemnification from the sponsor for all damage or liability that may result when a research project involves the use of materials, processes, or procedures that are furnished by or required by the sponsor to be used in such project and such damage or liability is not due to negligence of the persons performing the research.

f. License agreements that result from the exercise of options in the sponsored research contracts are subject to the approval of the Board through the docket and should contain provisions for the reversion to the Board of all rights to the intellectual property if it is not developed and marketed in a timely manner.

POLICY AND GUIDELINES FOR MANAGEMENT AND MARKETING OF INTELLECTUAL PROPERTY

The U. T. Board of Regents finds that intellectual property and technology created at the component institutions are valuable assets with potential for commercialization for the benefit of the citizens of the State, State government, the component institutions, and the U. T. System.

As a part of its Handbook of Operating Procedures, each component institution of the U.T. System shall adopt procedures for identifying, evaluating, and marketing intellectual property and technology created at the component institution:

- a. that are not already subject to an option or license pursuant to a sponsored research agreement;
- b. that have not been committed to an entity, including those formed for the primary purpose of development and commercialization of intellectual property created at the component institution; or
- c. the control of which has been regained by the U. T. System through reversion provisions contained in license agreements.

The intellectual property management and marketing procedures that are to be included in institutional **Handbooks of Operating Procedures** shall contain provisions that recognize and provide the opportunity for the creator and other knowledgeable institutional personnel to play a major role in marketing while making provision for appropriate involvement of the Offices of Asset Management and General Counsel in the management and marketing of the assets of the Board.

In developing handbook procedures, consideration should be given to the utilization of the Center for Technology Development and Transfer at The University of Texas at Austin (established by Section 65.45, **Texas Education Code**) as a means of developing and marketing available intellectual property created at component institutions.

The Office of General Counsel shall continue to assist in marketing efforts through its activities, such as submitting available intellectual property and technology to appropriate computer data listing services, and to publications that reach prospective licensees.

The Office of Asset Management shall develop appropriate expertise in the area of marketing of technology to complement the efforts of the component institutions and the Office of General Counsel.

On a selective basis, the Office of General Counsel and the Office of Asset Management with the concurrence of the component institution, may utilize the services of intellectual property marketing agencies pursuant to contractual agreements that have been approved by the Board.