

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

Item No. 7	Date of BOR Meeting: 6/11/92	Section Affected/New Section Added: Part Two, Chapter V, Section 2.4 was deleted & renamed Part Two, Chapter XII
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SUMMARY OF REVISION: Part Two, Chapter V, Section 2.4 is deleted in its entirety and replaced with Part Two, Chapter XII. The policy was revised to clarify certain terms & conditions.

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U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval to Amend Chapter V, Subsection 2.4 (Intellectual Property Policy) and to Renumber and Redesignate Subsection 2.4 as Chapter XII.--In order to emphasize the continuing importance of the development and management of intellectual property and to clarify certain terms and conditions of the existing policy, Subsection 2.4 (Intellectual Property Policy) of Chapter V, Part Two of the Regents' **Rules and Regulations** was amended to read as set forth below and renumbered and redesignated as Chapter XII of Part Two thereby deleting present Subsection 2.4 of Chapter V in its entirety.

CHAPTER XII

INTELLECTUAL PROPERTY

Sec. 1. 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 that 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 interests 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. 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.

Sec. 2. General Policy.

2.1 The intellectual property policy shall apply to all persons employed by the U. T. System and the component institutions of the System, to anyone using System facilities under

the supervision of System personnel, to candidates for masters and doctoral degrees, and to postdoctoral and predoctoral fellows.

2.2 Except for intellectual property included in Subsections 2.3 and 2.4, this policy shall apply to and the Board may assert ownership in intellectual property of all types (including, but not limited to, any invention, discovery, trade secret, technology, scientific or technological development, and computer software) regardless of whether subject to protection under patent, trademark, copyright, or other laws.

2.3 The Board will not assert an interest in faculty produced textbooks, scholarly writing, art works, musical compositions and dramatic and non-dramatic literary works that are related to the faculty member's professional field unless such work is commissioned by the System or a component institution of the System or is a work for hire pursuant to Subsection 2.4.

2.4 The Board shall have sole ownership of all intellectual property that it commissions or that is produced as a work for hire for the System or a component institution of the System. Except as may be provided otherwise in a written agreement approved by the chief administrative officer of the component institution and the Chancellor, the provisions of Subdivision 5.23 relating to division of royalties shall not apply to intellectual property owned solely by the Board pursuant to this Subsection 2.4.

2.5 Any person who as a result of his or her activities creates intellectual property that is subject to this Policy, other than on government or other sponsored research projects where the grant agreements provide otherwise, should have a major role in the ultimate determination of how it is to be made public, whether by publication, by development and commercialization after securing available protection for the creation, or both.

2.6 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.

2.7 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 exclusive licensing, but the public interest may best be promoted by the granting of nonexclusive licenses 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.

Sec. 3. Institutional Intellectual Property Advisory Committees, Office of General Counsel, and Office of Asset Management.

3.1 Intellectual Property Advisory 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 System Administration and the Board (in those cases when action by the System Administration and/or the Board is required),

Institutional Intellectual Property Advisory Committees may be established. Each institution at its option may use the term "Patent Advisory Committee" in lieu of "Intellectual Property Advisory Committee."

3.2 Office of General Counsel.--The Office of General Counsel will have responsibility for all legal matters relating to intellectual property and will assist component institutions with respect to such matters. Among other responsibilities, the Office of General Counsel will secure protection for intellectual property when appropriate and will police infringements; maintain central databases and files of patent applications, issued patents, copyrights, licenses and agreements; coordinate with component institutions in negotiating and preparing license and other agreements; review and approve as to form all agreements relating to intellectual property; and coordinate with and cooperate with the Office of Asset Management in all such matters.

3.3 Office of Asset Management.--The Office of Asset Management will assist component institutions in business and financial matters relating to intellectual property; coordinate with component institutions in evaluating royalty and/or equity transactions and review and approve agreements relating to equity transactions; represent System on boards of directors of entities in which the Board holds equity and the right to a board position; serve as a repository for certificates of shares in entities in which the Board holds equity and represent the System's interest with respect thereto; and coordinate with and cooperate with the Office of General Counsel in all such matters.

Sec. 4. Classification of Discoveries by Source of Support.

4.1 Intellectual property that is unrelated to the individual's employment responsibility and 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.

4.2 Intellectual property that is related to the individual's employment responsibility, or has resulted either from activities performed by the individual on System time, or with support by state funds, or from using System facilities.

4.3 Intellectual property that 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.

Sec. 5. Property Rights and Obligations.

5.1 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 Subsection 4.1) 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 chief administrative officer shall recommend 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 chief administrative officer shall recommend whether the System should reimburse the creator for expenses in obtaining such protection. If the chief administrative officer so 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 Subdivision 5.23.

5.2 Intellectual property either related to the individual's employment responsibility, or resulting from activities performed on System time, or with support by state funds, or from using System facilities is subject to ownership by the Board. (See Subsection 2.2.)

5.21 Before intellectual property covered by Subsection 4.2 is disclosed either to the public or for commercial purposes, and before publishing same, the creator shall submit a reasonably complete and detailed disclosure of such intellectual property to the chief administrative officer of the creator's institution for determination of the System's interest. A component institution may establish guidelines in its **Handbook of Operating Procedures** for submitting different categories of intellectual property to its Institutional Intellectual Property Advisory Committee and procedures to be followed by the Institutional Intellectual Property Advisory Committee in reviewing and evaluating such submissions. Such guidelines and procedures shall be consistent with this policy and shall be subject to approval as a part of the institutional **Handbook**. In those instances, however, where delay would jeopardize obtaining the appropriate protection for the property, the creator may request the approval of the chief administrative officer and the Office of General Counsel, to file a patent application or take other steps to obtain available protection prior to the administrative review provided in the following two subdivisions. 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 reasonable 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. Either the Chairman of the Institutional Intellectual Property Advisory Committee or the chief administrative officer shall notify the Office of General Counsel of any such application.

5.22 If the chief administrative officer recommends that the System not assert and exploit its interest, and that recommendation is approved by the Office of General Counsel and the appropriate Executive Vice Chancellor, the creator shall be notified within one hundred eighty (180) days of the date of submission that he or she is free to obtain and exploit a patent or other intellectual property protection in his or her own right and the System shall not have any further rights, obligations or duties with respect thereto except that, in some instances the System may elect to impose certain limitations or obligations or retain income rights, dependent upon the degree of System support involved in the creation of such property.

5.23 With respect to intellectual property in which the System asserts an interest, the Office of General Counsel in consultation with the chief administrative officer (or his/her designee) shall decide how, when, and where the intellectual property is to be protected. If the System decides to patent or seek other available protection for such intellectual

property, it may 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 Vice Chancellor and 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 Subsection 5.2. In those instances where the System licenses rights in intellectual property to third parties, the costs of licensing and obtaining a patent or other protection for the property on behalf of the Board shall first be recaptured from any royalties received by the System, and the remainder of such royalty income (including license fees, prepaid royalties and minimum royalties) shall be divided 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 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.

5.3 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 or grant to the System shall be subject to ownership by the Board. (see Subsection 4.3.)

5.31 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 inconsistent with this policy, or other policies and guidelines adopted by the Board from time to time imply a decision that the value to the System of receiving the grant or performing the contract outweighs the impact of any nonconforming provisions of the grant or contract on the intellectual property policies and guidelines of the System.

5.32 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.

5.33 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 General Counsel after consultation with the institutional chief administrative officer.

5.34 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.

5.35 In the event that two or more persons are entitled to share royalty income pursuant to Subdivision 5.23 (or equity pursuant to Section 6) and such persons cannot agree on an appropriate sharing arrangement as evidenced by a clear and unequivocal written agreement transmitted to the Office of General Counsel, that portion of the royalty income to which the creators are entitled under this Policy will be distributed to such persons in such portions as the institutional chief administrative officer or, in the event that the creators are located at two or more component institutions within the System, the Chancellor may deem appropriate under the circumstances and such decision shall be binding on the creators.

5.36 A decision by the System to seek patent or other available protection for intellectual property covered by Subsection 5.2 shall not obligate System to pursue such protection in all national jurisdictions. The System's decision relating to the geographical scope and duration of such protection shall be final.

Sec. 6. Equity Interests.

6.1 In agreements with business entities relating to rights in intellectual property owned by the Board, the System may receive equity interests as partial or total compensation for the rights conveyed. In any such instance, the component institution where the intellectual property was created may elect, at its option and with the concurrence of the Chancellor, to share an equity interest with the creator(s) in the same manner as royalties are shared pursuant to Subdivision 5.23.

6.2 Consistent with Section 51.912, **Texas Education Code**, and subject to review and approval by the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor, the Chancellor and the Board, employees of the System who conceive, create, discover, invent or develop intellectual property may hold an equity interest in a business entity that has an agreement with the System relating to the research, development, licensing or exploitation of that intellectual property.

6.3 The System may negotiate, but shall not be obligated to negotiate, an equity interest on behalf of any employee as a part of an agreement between the System and a business entity relating to intellectual property conceived, created, discovered, invented, or developed by the employee and owned by the Board.

6.4 Dividend income and income from the sale or disposition of equity interests held by the Board pursuant to agreements relating to intellectual property shall belong to the System and shall be distributed in accordance with the provisions of Section 10.

6.5 Dividend income and income from the sale or disposition of an equity interest held by a System employee pursuant to an agreement between the System and a business entity relating to rights in intellectual property conceived, created, discovered, invented or developed by such employee shall belong to the employee.

Sec. 7. Business Participation.

7.1 Any System employee who conceives, creates, discovers invents or develops intellectual property shall not serve as a member of the board of directors or other governing board or as an officer or an employee (other than as a consultant) of a business entity that has an agreement with the System relating to the research, development, licensing, or exploitation of that intellectual property without prior review and approval by the chief administrative officer of the component institution, the Chancellor and the Board as an agenda item.

7.2 When requested and authorized by the Board, an employee may serve on behalf of the Board as a member of the board of directors or other governing board of a business entity that has an agreement with the System relating to the research, development, licensing or exploitation of intellectual property.

Sec. 8. Reporting.

8.1 Any employee covered by Subsections 6.2, 7.1, or 7.2 shall report in writing to the chief administrative officer of the component institution, or to such other person as may be designated by the chief administrative officer, the name of any business entity as referred to therein in which the person has an interest or for which the person serves as a director, officer or employee and shall be responsible for submitting a revised written report upon any change in the interest or position held by such person in such business entity. These reports shall be accumulated in the office of the chief administrative officer or designee and then forwarded to the appropriate Executive Vice Chancellor by September 1 of each year so that the Chancellor may file a report with the Board at its October meeting. After the report has been approved by the Board, the Chancellor shall prepare the report to the Governor and the Legislature required by Section 51.912(c), **Texas Education Code**.

Sec. 9. Approval of and Execution of Legal Documents Relating to Rights in Intellectual Property.

9.1 Documents relating to rights in intellectual property shall ordinarily be approved by the Board on the institutional docket following review by the Office of General Counsel and approval by the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor and the Chancellor.

9.2 Any document 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 advance approval of the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, and the Board as an agenda item. Such an alteration in a sponsored research agreement shall not be considered substantial and may be approved by the Board on the institutional docket if, in the judgment of the chief administrative officer and with the concurrence of the appropriate Executive Vice Chancellor, the benefits from the level of funding for the proposed research and/or other consideration from the sponsor outweigh any potential disadvantage that may result from the policy deviation.

9.3 The Chancellor, the appropriate Executive Vice Chancellor, the Vice Chancellor and General Counsel or the Vice Chancellor for Asset Management may execute, on behalf of the Board, legal documents relating to the Board's rights in intellectual property, including, but not limited to, declarations, affidavits, powers of attorney, disclaimers, and other such documents relating to patent applications and patents; applications, declarations, affidavits, affidavits of use, powers of attorney, and other such documents relating to trademarks; applications for registration of and other such documents relating to copyrights; and license and assignment documents approved by the Board pursuant to Subsections 9.1 or 9.2.

Sec. 10. Income from Intellectual Property.

10.1 The portion of the net income the System retains from royalties and any other intellectual property-related income shall be used by the component institutions where the income-producing creation originated for research and other purposes approved by the Board in accordance with standard budgetary policies. 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.

10.2 With the prior written approval of the chief administrative officer of the component institution, future royalties payable to a faculty member pursuant to Subdivision 5.23 may be assigned to the component institution by the faculty member and designated for use in research to be conducted by such faculty member.

Sec. 11. Implementation of Intellectual Property Policy.- The Office of General Counsel 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.

Sec. 12. Construction of Documents.--Unless otherwise required by law or the Regents' **Rules and Regulations**, each intellectual property agreement approved hereunder shall be construed in accordance with the Intellectual Property Policy in existence as of its approval date.