

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

Item No. 16	Date of BOR Revision: 5/8/02	Changes were made to the entire Intellectual Property policy and Regental Policies on "Policy and Guidelines Relating to Intellectual Property License Agreements with Private Entities", "Policy and Guidelines for the Negotiation, Review and Approval of Sponsored Research Projects with Nonprofit and For Profit Nongovernmental Entities" and "Policy and Guidelines for Management and Marketing of Intellectual Property".
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**SUMMARY OF REVISION:** Amendments to the Regents' Rules and Regulations, Part Two, Chapter XII, regarding intellectual property, were necessary to implement certain Technology Transfer Commission recommendations, and to conform the Rules to current practice. Changes of note include the following:

- a. Subsection 2.1 was revised to clarify that the intellectual property policy applies to full and part-time faculty and staff and visiting faculty members and researchers.**
- b. Subsection 2.5 was amended to provide that the institutional president will decide in his or her sole discretion whether to develop and commercialize an invention.**
- c. Subsection 2.9 was added to clarify institutional and faculty interests in data.**
- d. Subsection 3.3 was deleted. This Subsection addressed the role of The University of Texas Investment Management Company (UTIMCO) in assisting component institutions in business and financial matters relating to intellectual property. UTIMCO no longer provides such assistance.**
- e. Subdivision 4.25 was revised to clarify that the expenses attributable to a particular licensing project would be recovered from revenue received before income is divided and shared with the creator.**
- f. Subsection 4.3 addresses the releases of inventions after the Board has already asserted its interest.**

Amendments to the three existing Regental Policies related to intellectual property consolidated the Policies into one policy and implemented the recommendations of the Technology Transfer Commission. The primary revision was the addition of sections acknowledging the authority granted by Chapter 153 of the **Texas Education Code**. This Chapter, added in the last legislative session, authorizes technology transfer centers to perform certain activities. The revisions to the Policies permit the technology transfer offices to perform such activities, provided that the institution complies with all relevant policies and guidelines.

Approval of the item repealed the "Policy and Guidelines Relating to Intellectual Property License Agreements with Private Entities" approved by the Board in December 1985 and amended in December 1987 and August 1998; "Policy and Guidelines for the Negotiation, Review and Approval of Sponsored Research Projects with Nonprofit and For Profit Nongovernmental Entities" approved by the Board in December 1985 and amended in May 1999; and "Policy and Guidelines for Management and Marketing of Intellectual Property" approved by the Board in December 1985 and amended in May 1999.

REDLINED CHANGES TO REGENTS' RULES AND REGULATIONS  
PART TWO, CHAPTER XII INTELLECTUAL PROPERTY  
AND REGENTAL POLICIES  
APPROVED BY BOARD OF REGENTS MAY 8, 2002

4. U. T. Board of Regents: Request for Approval to Amend (a) the Regents' Rules and Regulations, Part One, Chapter I, Section 9 (Delegation to Act on Behalf of the Board) and Part Two, Chapter XII (Intellectual Property); and (b) Regental Policies Relating to Sponsored Research Projects and Intellectual Property; and to Consolidate Into One Policy Entitled Policies and Guidelines for Licence Agreements, Sponsored Research, and Management and Marketing of Intellectual Property

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations and Regental Policies relating to sponsored research projects and intellectual property be amended as set forth below in congressional style:

**b. Amend Part Two, Chapter XII, regarding intellectual property, as follows:**

- 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]~~ 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 including, but not limited to, full and part-time faculty and staff and visiting faculty members and researchers, to anyone using System facilities [~~under the supervision of System personnel~~], to undergraduates, to candidates for master's and doctoral degrees, and to postdoctoral and predoctoral fellows.
- 2.2 Except as set forth [~~for intellectual property included~~] in Subsections 2.3, 2.4, and 4.1 [~~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, research data and computer software) regardless of whether subject to protection under patent, trademark, copyright, or other laws.
- 2.3 The Board shall assert its interest in scholarly or educational materials, artworks, musical compositions and dramatic and nondramatic literary works related to the author's academic or professional field, regardless of the medium of expression, as follows:
- 2.31 Students, professionals, faculty and researcher authors.-- The Board shall not assert ownership of works covered by this Subsection authored by students, professionals, faculty, and nonfaculty researchers. The Board encourages these authors to carefully manage their copyrights. The Board retains certain rights in these works as set forth in the Policy and Guidelines for Management and Marketing of Copyrighted Works.
- 2.32 Software.--The Board normally shall assert ownership in software as an invention; however, original software which is content covered by Subdivision 2.31, or that is integral to the presentation of such content, shall be owned in accordance with Subdivision 2.31.
- 2.4 Notwithstanding the provisions of Subsection 2.3, the Board shall have sole ownership of all intellectual property created by an employee who was hired specifically or required to produce it or commissioned by the System or a component institution of the System. Except as may be provided otherwise in a written agreement approved by the president [~~chief administrative officer~~] of the component institution [~~and the Chancellor~~], the provisions of Subdivision 4.25 [~~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 [~~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 published; however, the component president will decide in his or her sole discretion whether to develop and commercialize an invention [~~made public, whether by publication, by development and commercialization~~] after securing available protection for the creation, if necessary [~~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~~].
- 2.8 Neither the facilities nor the resources of System or its component institutions may be used (i) to create, develop or commercialize intellectual properties unrelated to an individual's employment responsibilities (See Subsection 4.1); or (ii) to further develop or commercialize intellectual properties that have been released to an inventor (See Subdivision 4.22 [~~5-22~~]) except as the component institution's president [~~and the appropriate Executive Vice Chancellor~~] may approve where System retains an interest under the terms of the release.
- 2.9 An employee whose research activities result in the creation of data that is owned by the Board pursuant hereto shall have a nonexclusive license to use such data for nonprofit educational, research, and scholarly purposes within the scope of the employee's employment, subject to adherence to other provisions of this policy.

Sec. 3. [~~Institutional~~] Intellectual Property Advisory Committees and [~~]~~ Office of General Counsel[~~, and UTIMCO~~].

- 3.1 Intellectual Property Advisory Committees.--To help administer the intellectual property policy at each component institution and to make recommendations to presidents 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), departmental or

institutional intellectual property advisory committees [~~Institutional Intellectual Property Advisory Committees~~] may be established by the component institutions. [~~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 assist component institutions with [~~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 help component institutions 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; and review and approve as to form all agreements relating to intellectual property[~~; and coordinate with and cooperate with UTIMCO in all such matters~~].

[~~3.3~~ ~~UTIMCO. UTIMCO 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.

4.1[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 component president may [~~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 under terms and conditions as may be agreeable to the parties. If the creator makes the offer after obtaining a patent or other protection, the component president may [~~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.~~]

4.2[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 [~~state~~] funds, or from using System facilities is subject to ownership by the Board. [~~(See Subsection 2.2.)~~]

4.21[5-21] Before intellectual property subject to ownership by the Board [~~covered by Subsection 4.2~~] is disclosed to any party outside the System, [~~either~~] to the public generally, or for commercial purposes, and before publishing same, the creator shall submit a reasonably complete and detailed disclosure of such intellectual property to the president [~~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 departmental or institutional intellectual property advisory committee [~~Institutional Intellectual Property Advisory Committee~~] and procedures to be followed by the committee [~~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 component president [~~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 as the parties may negotiate if the decision of the System is to assert and exploit its interests. Either the Chairman of the departmental or institutional intellectual property advisory committee [~~Institutional Intellectual Property Advisory Committee~~] or the component president [~~chief administrative officer~~] shall notify the Office of General Counsel of any such application.

4.22[~~5.22~~] If the component president elects not to [~~chief administrative officer recommends that the System not~~] assert and exploit System's [~~its~~] interest [~~and that recommendation is approved by the Office of General Counsel~~], the Office of General Counsel and the creator shall be notified within one hundred eighty (180) days of the date of a complete submission that the invention will be released to the creator after which he or she will be [~~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 appropriate circumstances [~~some instances~~] the component president [~~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~~].

4.23 The component president may elect to release an invention to its creator at any time after asserting System's interest, with notice to the Office of General Counsel; however, such a release shall include provisions for the recovery of patent and licensing expenses, if any, the retention of income rights and other appropriate limits or obligations, as set forth above for creations in which the System's rights are never asserted.



4.24~~[5.23]~~ With respect to intellectual property in which the System asserts an interest, ~~[the Office of General Counsel in consultation with]~~ the component president ~~[chief administrative officer (or his/her designee)]~~ shall decide how, when, and where the intellectual property is to be protected and and ~~[. 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. Outside counsel services may be contracted ~~[Under appropriate circumstances, and]~~ with the consent of the Vice Chancellor and General Counsel and, if required by law, 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 4.2 ~~[5.2]~~.

4.25 In those instances where the System licenses rights in intellectual property to third parties, the costs of licensing, including the costs to operate and support a technology transfer office and departmental or institutional intellectual property advisory committees, and the costs of obtaining a patent or other protection for the property on behalf of the Board shall first be recaptured from any royalties or other license payments received by the System, and the remainder of such ~~[royalty]~~ income (including but not limited to license fees, prepaid royalties, ~~and~~ minimum royalties, running royalties, milestone payments, and sublicense payments) 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.

4.3[~~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.)~~]

4.31[~~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.

4.32[~~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.

4.33[~~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 president [~~chief administrative officer~~].

4.34[~~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.

4.35~~[5.35]~~ In the event that two or more persons are entitled to share royalty income pursuant to Subdivision 4.25 ~~[5.23]~~ (or equity pursuant to Section 5 ~~[6]~~) and such persons cannot agree on an appropriate sharing arrangement as evidenced by a clear and unequivocal written agreement transmitted to the departmental or institutional intellectual property advisory committee, or if inventors are located at two or more component institutions, to the Office of General Counsel, that portion of the royalty income to which the creators are entitled under this policy ~~[Policy]~~ will be distributed to such persons in such portions as the component president ~~[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.

4.36~~[5.36]~~ A decision by the System to seek patent or other available protection for intellectual property covered by Subsection 4.2 ~~[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. 5~~[6]~~.Equity Interests.

5.1~~[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, dividend income, or the proceeds of the sale of an equity interest with the creator(s) in the same manner as royalties are shared pursuant to Subdivision 4.25 ~~[5.23]~~. The System may also receive equity interests in a business entity as consideration for the component institution's role as a founder or cofounder of the business entity, and shall not be obligated to share such equity interests with the creator(s).

5.2~~[6.2]~~ Employees ~~[Consistent with Section 51.912, Texas Education Code, and subject to review and approval by the president 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 only so long as the component institution where the intellectual property was developed is in full compliance with the requirements to have, implement, and enforce for that employee an effective conflict of interest management plan approved by the component institution's president as set forth in the "Procedure for Obtaining Approval of Plan to Manage Conflicts of Interest." In any case where actual conflict of interest is found, the employee may be required to divest the equity interest of terminate affected research.

5.3[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.

5.4[6-4] Except as provided in Subsection 5.1, dividend [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 9 [40].

5.5[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. 6[7].Business Participation.

6.1[7-1] Any System employee who conceives, creates, discovers, invents or develops intellectual property may [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 only so long as the component institution where the intellectual property was developed is in full compliance with the requirements to have, implement, and enforce for that employee an effective conflict of interest management plan approved by the component institution's president as set forth in the "Procedure for Obtaining Approval of Plan to Manage Conflicts of Interest." In any case where actual conflict of interest is found, the employee may be required to terminate the business relationship or the relevant research [without prior review and approval by the chief administrative officer of the component institution, the Chancellor and the Board].

6.2[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, but may not accept any consideration offered for service on such board.

Sec. 7[8].Reporting.

7.1[8.1] Any employee covered by Subsections 5.2, 6.1, or 6.2 [~~6.2, 7.1, or 7.2~~] shall report in writing to the president [~~chief administrative officer~~] of the component institution, or to such other person as may be designated by the president [~~chief administrative officer~~], the name of any business entity 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 forwarded to the Vice Chancellor and General Counsel by October 1 of each year for filing with the Board as required by Texas Education Code Section 51.912 and inclusion in the annual financial report sent to the State officials listed in Texas Education Code Section 51.005.

Sec. 8[9].Approval of and Execution of Legal Documents Relating to Rights in Intellectual Property.

8.1[9.1] Agreements that grant an interest in Board intellectual property may be executed and delivered in accordance with the provisions of the Regents' Rules and Regulations, Part Two, Chapter XI, following any required review by the Office of General Counsel.

8.2[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 component president, 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 the agreement~~] may be executed and delivered as set forth in Subsection 8.1 [~~Section 9.1~~] if, in the judgment of the component president [~~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 a [~~the~~] sponsor, licensee, or other party outweigh any potential disadvantage that may result from the policy deviation.

8.3[9.3] The Chancellor, the appropriate Executive Vice Chancellor, or the Vice Chancellor and General Counsel [~~or the authorized representative of UTIMCO~~] 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; corporate documents related to the formation of new companies; and other documents approved pursuant to Subsections 8.1 [~~9.1~~] or 8.2 [~~9.2~~]. The component president or designee may execute, on behalf of the Board, institutional applications for registration or recordation of transfers of ownership and other such documents relating to copyrights.

Sec. 9[~~10~~].Income from Intellectual Property.

9.1[~~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 with the income to be distributed to the component institution for such purposes as may be approved by the Board.

9.2[~~10.2~~] With the prior written approval of the president [~~chief administrative officer~~] of the component institution, payments [~~future royalties~~] payable to a faculty member pursuant to Subdivision 4.25 [~~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. 10[~~11~~].Implementation of Intellectual Property Policies [~~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 intellectual property [~~this policy as well as other~~] policies and guidelines adopted by the Board.

Sec. 11[~~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 policies and guidelines [~~Intellectual Property Policy~~] in existence as of its approval date.

- c. **Amend the Regental Policies for (1) Intellectual Property License Agreements with Private Entities; (2) Negotiation, Review and Approval of Sponsored Research Projects With Nonprofit and For Profit Nongovernmental Entities; and (3) Management and Marketing of Intellectual Property and consolidate them into one**

**policy entitled "Policies and Guidelines for License Agreements, Sponsored Research, and Management and Marketing of Intellectual Property" as shown on Pages 28 - 33.**

Policies and Guidelines for License Agreements, Sponsored Research,  
and Management and Marketing of Intellectual Property

A. Intellectual Property License Agreements with Private Entities

Policy Statement

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 use [~~achieve utilization of~~] the significant aspects of the model agreement for all licenses of intellectual property rights. It is understandable that under certain circumstances, it will not be possible to include all aspects of the model agreement in the final draft of a license.

No entity shall be granted the exclusive rights to the development and/or commercialization of all intellectual property created at a U. T. System component institution without approval of the U. T. Board of Regents. Otherwise, agreements should grant rights only on a specific project basis.

The following guidelines apply [~~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:

Guidelines

- a. 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.
- b. 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.

- c. 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.
- d. Restrictions on use by the component institution for research and teaching purposes and the publication rights of researchers should be minimized.
- e. The entity should be required to comply with all applicable federal, State [state], and local laws and regulations, particularly those concerning biological materials and necessary testing and approval by the Food and Drug Administration.
- f. The entity should be required to maintain confidentiality with regard to any unpatented technology or know-how.
- g. 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.
- h. 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 General Counsel.

B. Negotiation, Review, and Approval of Sponsored Research Projects With Nonprofit and For Profit Nongovernmental Entities

Guidelines

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 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 Controller 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 General Counsel prior to submission to the Board for approval in the institutional docket, if required. In order to facilitate such review and approval, 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 and the Office of General Counsel shall adopt procedures that ensure 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 nonexclusive ~~[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 [do not require] approval as set forth in the intellectual property policies and guidelines and [of the Board through the docket unless the license is with a foreign entity or for over \$500,000. All licenses] should contain the provisions set forth in the model license agreement provided by the Office of General Counsel, pursuant to the policy statement and guidelines for agreements licensing U. T. System intellectual property [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].

C. 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.

Currently existing technology transfer offices shall constitute "Centers" as defined in Texas Education Code Section 153.001(1). System Administration and any component institution that does not have a Center is authorized to create one.

Such Centers may continue to perform the activities set forth in Texas Education Code Sections 153.004(1), (2), (3) and (4) and Section 153.006 in accordance with the intellectual property policy, these and other intellectual property guidelines, and all other relevant Board policies.

Centers may also engage in activities set forth in Texas Education Code Sections 153.004(5), (6), (7), and (8) in accordance with the intellectual property policy, these and other intellectual property guidelines, and all other relevant Board policies, provided, however, that institutional ownership interests in such entities established and operated pursuant to Section 153.004(7) shall belong to the Board.

Centers may institute and operate programs as described in Texas Education Code Section 153.005(a) in accordance with the criteria required to be established by component institutions and approved by the Board, as set forth in Section 153.006, and in accordance with the intellectual property policy, these and other intellectual property guidelines, and all other relevant Board policies.

Component institutions shall provide the information required by Section 153.008 and such other information as may be necessary or desirable to evaluate the success of technology commercialization throughout 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 make ~~[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 Office of 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.~~

~~On a selective basis, the Office of General Counsel 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.]~~

## **BACKGROUND INFORMATION**

Amendments to the Regents' Rules and Regulations, Part Two, Chapter XII, regarding intellectual property, are necessary to implement certain Technology Transfer Commission recommendations, and to conform the Rules to current practice. Changes of note include the following:

- a. Subsection 2.1 would be revised to clarify that the intellectual property policy applies to full and part-time faculty and staff and visiting faculty members and researchers.

- b. Subsection 2.5 would be amended to provide that the institutional president will decide in his or her sole discretion whether to develop and commercialize an invention.
- c. Subsection 2.9 would be added to clarify institutional and faculty interests in data.
- d. Subsection 3.3 would be deleted. This Subsection addressed the role of The University of Texas Investment Management Company (UTIMCO) in assisting component institutions in business and financial matters relating to intellectual property. UTIMCO no longer provides such assistance.
- e. Subdivision 4.25 would be revised to clarify that the expenses attributable to a particular licensing project would be recovered from revenue received before income is divided and shared with the creator.
- f. Subsection 4.3 addresses the releases of inventions after the Board has already asserted its interest.

Amendments to the three existing Regental Policies related to intellectual property would consolidate the Policies into one policy and implement the recommendations of the Technology Transfer Commission. The primary revision is the addition of sections acknowledging the authority granted by Chapter 153 of the Texas Education Code. This Chapter, added in the last legislative session, authorizes technology transfer centers to perform certain activities. The proposed revisions to the Policies would permit the technology transfer offices to perform such activities, provided that the institution complies with all relevant policies and guidelines.

Approval of the item will repeal the "Policy and Guidelines Relating to Intellectual Property License Agreements with Private Entities" approved by the Board in December 1985 and amended in December 1987 and August 1998; "Policy and Guidelines for the Negotiation, Review and Approval of Sponsored Research Projects with Nonprofit and For Profit Nongovernmental Entities" approved by the Board in December 1985 and amended in May 1999; and "Policy and Guidelines for Management and Marketing of Intellectual Property" approved by the Board in December 1985 and amended in May 1999.