

## SYSTEM REGULATION

### 17.02.01 Management of Intellectual Property

*September 24, 1997*

*Revised April 18, 2002*

#### **Supplements System Policy 17.02**

## 1. DEFINITIONS

For the purposes of this regulation, the following terms are defined as follows:

- 1.1 **Invention:** A process, method, discovery, device, plant, composition of matter, or other invention that reasonably appears to qualify for protection under the United States patent law (utility patent, plant patent, design patent, certificate of Plant Variety Protection, etc.), whether or not actually patentable. An Invention may be the product of a single inventor or a group of inventors who have collaborated on a project.
- 1.2 **Copyrightable Work:** An original work of authorship which has been fixed in any tangible medium of expression from which it can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, such as books, journals, software, computer programs, musical works, dramatic works, videos, multimedia products, sound recordings, pictorial and graphical works, etc. A Copyrightable Work may be the product of a single author or a group of authors who have collaborated on a project.
- 1.3 **Trademark (including Service Mark):** A distinctive word, design or graphic symbol, or combination word and design, that distinguishes and identifies the goods and services of one party from those of another, such as names or symbols used in conjunction with plant varieties or computer programs.
- 1.4 **Tangible Research Property:** Tangible items produced in the course of research including such items as biological materials, engineering drawings, integrated circuit chips, computer databases, prototype devices, circuit diagrams, and equipment. Individual items of Tangible Research Property may be associated with one or more intangible properties, such as Inventions, Copyrightable Works and Trademarks. An item of Tangible Research Property may be the product of a single creator or a group of individuals who have collaborated on a project.
- 1.5 **Intellectual Property:** Collectively, all forms of intellectual property including but not limited to Inventions, Copyrightable Works, Trademarks, and Tangible Research Property.
- 1.6 **Intellectual Property Committee:** A standing committee appointed by the Chancellor of the System and representing various components of the System whose purpose is to provide a forum for discussion of policies and procedures affecting Intellectual Property and to advise the Chancellor and Chief Executive Officers (CEOs) regarding Intellectual Property matters.

- 1.7 System Technology Licensing Office (TLO): A System administrative office whose mission is to promote the transfer of System technologies for society's use and benefit while generating unrestricted income to support research and education. The TLO is responsible for administration and implementation of the System's Intellectual Property program, and for assisting and advising the System components and the System Intellectual Property Committee.

## **2. GENERAL**

The System has a responsibility for and an interest in the advancement of scientific knowledge and creative work that will enhance its educational, research and service missions and benefit the public it serves. The purpose of these regulations is fourfold:

- 2.1 to encourage the development of Intellectual Property for the best interest of the public, the creator of the Intellectual Property, the System, the System component and the research sponsor; and
- 2.2 to provide timely disclosure and protection of Intellectual Property whether by development, commercialization, or publication, or any combination thereof; and
- 2.3 to allow employees of the System maximum scientific and professional freedom with respect to the method of disclosure and publication of their findings, consistent with any contractual obligations of employment or sponsored research; and
- 2.4 to provide procedures for the protection of System Intellectual Property through patents, copyrights and trademarks, and for the licensing of System Intellectual Property for commercial application, for the benefit of the public.

## **3. APPLICABILITY**

This regulation is applicable to (i) all persons employed by the System; and (ii) any persons using the System facilities under the supervision of System personnel, including but not limited to visiting faculty and adjunct faculty, unless special terms for management of the work of such individuals are negotiated by the System or the applicable System component. System employees should not enter into intellectual property agreements related to outside employment, such as consulting or summer employment agreements, without affirmative notice to the prospective employer that the intellectual property rights of the System cannot be subordinated to a third party consulting or employment agreement.

## 4. MANAGEMENT OF INVENTIONS

Inventors shall be permitted maximum freedom with respect to their Inventions, consistent with any obligations to the System. All System employees are required to abide by their obligations and those of the System under research agreements with sponsors.

### 4.1 Ownership

- 4.1.1 An Invention resulting from activities related to an individual's employment responsibilities and/or with support from System-administered funds, facilities or personnel shall be owned by the System.
- 4.1.2 An Invention unrelated to an individual's employment responsibilities that is developed on his or her own time without System support or use of System facilities is not owned by the System.
- 4.1.3 Ownership of an Invention developed in the course of or resulting from research supported by a grant or contract with the federal government (or an agency thereof) or a nonprofit or for-profit nongovernmental entity, shall be determined in accordance with the terms of the sponsored grant or contract, or in the absence of such terms, shall be owned by the System.
- 4.1.4 Present and prospective employees of the System shall, upon request by the Chancellor or the CEO of the respective component, or by the TLO to perfect intellectual property rights, execute an invention assignment agreement in a form prescribed by and available from the TLO to set forth effectively the ownership and rights to inventions. Executed invention assignment agreements shall be maintained in the respective Department Head's office, by the Human Resource Office of the respective System component, in the TLO, or in a similar office as determined by the component CEO.

### 4.2 Disclosure, Assignment and Protection

- 4.2.1 All persons subject to these regulations under Article 3 above shall promptly disclose through their CEO to the TLO any Invention covered by this regulation, including those made under sponsored research or cooperative arrangements. Disclosure shall be made on a disclosure form prescribed by and available from the TLO. Such persons shall cooperate with the System and the TLO in protecting intellectual property rights in the invention, to the best of their ability. If the System component or the System decides to patent or seek other available protection for the invention, it shall proceed through the TLO, in cooperation with the Office of the General Counsel.
- 4.2.2 All inventors shall execute appropriate assignment and/or other documents required to set forth effectively the ownership and rights to Inventions.

4.2.3 The CEO, in cooperation with the TLO, will determine whether the System component desires to commit funding to obtain protection for the Invention, and shall so notify the TLO and the inventor of the decision. In many cases, the CEO may advise the TLO to seek to identify one or more licensees who will bear the cost of obtaining patent protection.

4.2.4 In those instances where the inventor perceives that delay would jeopardize obtaining the appropriate protection for the Invention, the inventor may request that the System component expedite its decision as to whether or not it shall proceed to file a patent application or take other steps to obtain available protection.

#### 4.3 Negotiation and Execution of License Agreements for Inventions

4.3.1 License agreements granting to a third party the right to use, develop, or otherwise commercialize System-owned Inventions are encouraged. The TLO has primary responsibility for negotiating with parties having an interest in such activities, on behalf of and in close coordination with the CEOs of the System components (or their designees) administering the research from which the Invention was developed.

4.3.2 Final terms of a license agreement for a System-owned Invention must be approved by the CEO of the System component administering the work, as well as the Office of the General Counsel, in accordance with contract management protocols specified in Section 25 of the System Policy and Regulation Manual. The TLO will secure such approvals and then shall forward a recommendation to the Chancellor. Any agreement to license or transfer ownership of System-owned Inventions must be approved by the Chancellor.

#### 4.4 Obligations to Sponsors

The TLO, in cooperation with the sponsored projects offices of the System components, and the Texas A&M Research Foundation, shall coordinate reporting requirements and other obligations to research sponsors regarding Inventions developed under a research contract or grant, including but not limited to obligations to the US Government under 37CFR¶401.

### 5. MANAGEMENT OF COPYRIGHTABLE WORKS

The System encourages the preparation and publication of Copyrightable Works that result from teaching, research, scholarly and artistic endeavors by members of the faculty, staff and student body of the System components. Authors shall be permitted maximum freedom with respect to their Copyrightable Works, consistent with the obligations to the System. Copyrightable works may be created under a variety of circumstances and conditions which impact the ownership and subsequent management thereof, as follows.

## 5.1 Ownership of Copyrightable Works

### 5.1.1 Books, Articles and Similar Works

In keeping with academic tradition, and except to the extent required by the terms of any funding agreement, the System does not claim ownership to pedagogical, scholarly or artistic works, regardless of their form of expression. Such works include but are not limited to faculty-prepared works such as textbooks, course materials and refereed literature. Such works include those of students created in the course of their education, such as dissertations, papers and journal articles. Furthermore, the System claims no ownership in popular nonfiction, novels, poems, musical compositions or other works of artistic imagination that are not works for hire (see 5.1.2 below). If title to copyright in works defined within this section vests in the System by law, the System or its component will, upon request and to the extent consistent with its legal obligations, convey copyright to the authors of such Copyrightable Works. If a faculty member retains title to copyright in teaching or course materials that are not works for hire (see 5.1.2 below), such as class notes, curriculum guides and laboratory notebooks, the System and/or the System component shall retain a royalty-free right to use the materials for educational purposes.

### 5.1.2 Institutional Works or “Works for Hire”

The System, or the System component as applicable, shall retain ownership of Copyrightable Works created as institutional rather than personal efforts, that is, created for institutional purposes in the course of the creators’ employment, including but not limited to simultaneous or sequential contributions over time by numerous faculty, staff or students. For instance, work assigned to programmers is Institutional Work or “work for hire” as defined by law, as is software developed for System or System component purposes by staff working collaboratively. Brochures, training programs, CD-ROMs, videos, and manuals for which staff members are hired to develop are other examples of Institutional Works, or work for hire. The System or the System component owns all right, title and interest in such Institutional Works.

### 5.1.3 Works Developed with Significant Use of Resources

Copyrightable Works that are not works for hire (see 5.1.2 above) but are works that are developed with integral and significant use of funds, space, hardware, or facilities administered by a System component, where use was essential and substantial rather than incidental, shall be owned by the System component. Furthermore, Copyrightable Works that are not works for hire (see 5.1.2 above) but are works that are developed in the course of or resulting from research supported by a grant or contract with the federal government (or an agency thereof) or a nonprofit or for-profit

nongovernmental entity, or by a private gift or grant to the System, shall be determined in accordance with the terms of the sponsored grant or contract, or in the absence of such terms and to the extent consistent with copyright law, shall be owned by the System component administering the grant or contract. The System recognizes and affirms the traditional academic freedom of its faculty and staff to publish pedagogical, scholarly or artistic works without restriction. In keeping with this philosophy, the System will not construe the provision of offices or library facilities as constituting significant use of System resources, except for those instances where the resources were furnished specifically to support the development of such Copyrightable Works.

- 5.1.4 Present and prospective employees of the System shall, upon request by the Chancellor or the CEO of the respective component, or by the TLO to perfect intellectual property rights, execute an assignment agreement in a form prescribed by and available from the TLO to set forth effectively the ownership and rights to Copyrightable Works. Executed invention assignment agreements shall be maintained in the respective Department Head's office, by the Human Resource Office of the respective System component, in the TLO, or in a similar office as determined by the component CEO.

## 5.2 Disclosure, Assignment and Protection

- 5.2.1 Authors of Copyrightable Works that are not owned by the System, or any of its components, own the copyrights in their works and are free to publish them, register the copyright, and to receive any revenues which may result therefrom.
- 5.2.2 Authors of Copyrightable Works that are not works for hire (see 5.1.2 above) but are works that are owned by the System under paragraph 5.1.3 shall promptly disclose to their CEO any work of authorship covered by this regulation (including those made under sponsored research or cooperative arrangements). Disclosure shall be made on a disclosure form prescribed by and available from the TLO, and a copy shall be filed with that office. Such persons shall cooperate with the System component and the TLO to the best of their ability in protecting intellectual property rights in the work of authorship. Furthermore, upon request by the TLO to perfect intellectual property rights, such persons shall warrant that, to the best of his/her knowledge, the work does not infringe upon any existing copyright or other legal rights, that work not identified as quotations is the expression or creation of the author; and that necessary permission for quotation and the use of third party works has been obtained.

### 5.3 Negotiation and Execution of Agreements for Copyrightable Works

Agreements permitting a party to use, develop, or otherwise commercialize Copyrightable Works owned by the System or any of its components are encouraged. The component from which the work resulted has primary responsibility for negotiating with third parties having an interest in using, developing or otherwise commercializing Copyrightable Works. The CEO of the component may request assistance from the TLO regarding the protection and licensing of the Copyrightable Work.

### 5.4 Software as Patentable Subject Matter

In recent years, the US Patent and Trademark Office has determined that software which meets certain technical and legal criteria may be patentable. In the case that software originally disclosed as a Copyrightable Work subsequently is determined to be patentable subject matter, and the System or System component chooses to seek patent protection for the software, then such software shall be managed under this regulation as an Invention.

## **6. DISTRIBUTION OF INCOME FROM COMMERCIALIZATION AND LICENSING**

### 6.1 Distribution of Income from Inventions

All monetary proceeds from commercialization of System-owned inventions, including royalties, equity interests, and dividends, are the property of the System. Income received by the System from commercialization of an Invention will be distributed as follows:

- Step 1 Deduct the costs of obtaining legal protection for the invention to arrive at "adjusted income" (when such costs are not provided from other sources). When there is no adjusted income after deduction of costs, see Guaranteed Minimum to Inventor(s) below.
- Step 2 Deduct fifteen percent (15%) from adjusted income. This deduction is directed toward covering the expenses (excluding patent expenses) for administering the TLO.
- Step 3 Distribute the remaining adjusted income as follows: fifty percent (50%) to the inventor and fifty percent (50%) to the System component administering the research from which the invention was developed.
- Step 4 If there is no adjusted income after deduction of costs in Step 1, or when the inventor's (inventors') portion of the adjusted income is less than 20% of the gross income, the inventor(s) will receive an amount equal to 20% of the gross. Under these circumstances, the inventor's (inventors') share will be subtracted from gross income and any adjusted income will be distributed

fifteen percent (15%) to the TLO and the remainder to the System component from which the discovery or invention originated. When the inventor's (inventors') portion of adjusted income is equal to or greater than 20% of gross income, the distribution will be as described in steps 2 and 3 above.

In the event of multiple inventors, the inventors will agree among themselves as to the distribution of the income accruing to the inventors; distribution of the inventors' share shall be made only upon receipt by the TLO of a signed agreement between the inventors. In the event that such persons cannot agree upon an appropriate sharing arrangement as evidenced by a clear and unequivocal written agreement, that portion of the income to which the inventors are entitled under this regulation will be distributed as the CEO of the component may deem appropriate under the circumstances. Such a decision shall be binding on the inventors.

In the event that an inventor is a joint employee of two or more System components, or in the event that inventors represent two or more System components, the component CEOs will agree as to the distribution of the income accruing to the components and the inventors, considering such factors as annualized FTE by component and relative contributions of the inventors to the work. If the component CEOs cannot agree upon the distribution of income, the Chancellor or designee will make the decision as deemed appropriate under the circumstances and such decision shall be binding on the components and the inventors.

## 6.2 Distribution of Income from Inventions In the Case of Death

In the case of death or incapacitation of an inventor, income distributions shall be made pursuant to the Texas Probate Code and the United States Internal Revenue Service.

## 6.3 Distribution of Income from Copyrightable Works

All monetary proceeds from commercialization of Copyrightable Works, including royalties, equity interests, and dividends, are the property of the System component from which the work emerged. Income received from commercialization of Copyrightable Works will be distributed as follows:

- 6.3.1 Institutional Works (see 5.1.2). The System component shall be entitled to all income from distribution or commercialization of Institutional Works.
- 6.3.2 Works Developed with Significant Use of Resources (see 5.1.3), and commercialized by the TLO on behalf of the System component. In cases where the System component has requested that the TLO conduct the commercialization or distribution of the Copyrightable Work on behalf of the System component, the distribution of income shall be made in accordance with steps outlined in paragraph 6.1 above.
- 6.3.3 Works Developed with Significant Use of Resources (see 5.1.3), and distributed by the System Component. In cases where the System component

conducts the commercialization or distribution of the Copyrightable Work, the distribution of income shall be as follows: fifty percent (50%) to the System component and fifty percent (50%) to the author.

In the event of multiple authors, the authors will agree among themselves as to the distribution of the income accruing to the authors; distribution of the authors' share shall be made only upon receipt of a signed agreement between the authors. In the event that an author is a joint employee of two or more components, or in the event that authors represent two or more components, the components will agree as to the distribution of the income accruing to the components, considering such factors as annualized FTE by component and relative contributions of the authors to the work.

#### 6.4 Equity and Other Nonmonetary Returns

The System or its components may negotiate, but shall not be obligated to negotiate, for equity interests in lieu of or in addition to royalty and/or monetary consideration as a part of an agreement relating to Inventions or Copyrightable Works.

- 6.4.1 Inventors and authors may receive up to fifty percent (50%) of any equity or other nonmonetary consideration received by the System or its components under this section. However, the System may choose to receive the consideration under terms that restrict its ability to sell, distribute or otherwise deal with the equity interests. In such cases, any restrictions on the System's interest shall be equally applicable to the interest of the inventor or author, unless waived or varied in writing and signed by the Chancellor, the CEO and the inventor (for inventions), or by the CEO and the authors (for Copyrightable Works).
- 6.4.2 Neither the System nor any component thereof acts as a fiduciary for any person concerning equity or other consideration received under the terms of this regulation.
- 6.4.3 Inventors and authors should refer to System Regulation 31.05.01 regarding System regulation and state law addressing equity ownership.

### 7. TRADEMARKS

In most situations, a Trademark identifies an item of intellectual property, such as a computer program or a plant variety. In other situations, a Trademark identifies an educational, service, public relations, research or training program of the System or its components. The System, or the applicable System component, owns all right, title and interest in Trademarks related to an item of Intellectual Property owned by the System or its components, or to a program of education, service, public relations, research or training program of the System or its components. All income from the licensing of a Trademark shall belong to the System, or the System Component, as applicable.

## **8. TANGIBLE RESEARCH PROPERTY**

- 8.1 The System owns all right, title and interest in Tangible Research Property related to an individual's employment responsibilities and/or developed with support from System-administered funds, facilities, equipment or personnel.
- 8.2 For purposes of management of the asset, Tangible Research Property shall be managed as an Invention under paragraphs 4.2, 4.3 and 4.4, with distribution of income from the distribution or commercialization of such Tangible Research Property made in accordance with paragraph 6.1.

## **9. PROVISIONS FOR RELEASE OF RIGHTS TO INVENTORS AND AUTHORS**

The System may release to the inventor(s) its rights to an Invention, and the System or any of its components may release its rights to a Copyrightable Work, with the following provisions.

- 9.1 The System, or the applicable component, shall retain for the System and all components thereof a perpetual, royalty-free license to use the Invention or Copyrightable Work, and any corresponding patents or copyrights, for research, education and service purposes.
- 9.2 The System, or the applicable component, shall receive a share of all proceeds generated from commercialization of the Invention or Copyrightable Work after the inventor or author has recovered documented out-of-pocket costs for obtaining legal protection for the Invention or Copyrightable Work, the amount of such share to be negotiated at the time of the release.
- 9.3 In the case of a release of rights to the inventor or author, the inventor or author shall not be entitled to a share of proceeds received by the System under paragraph 9.2.

## **10. OFFERS OF INTELLECTUAL PROPERTY**

- 10.1 If an individual chooses to offer to the System certain intellectual property in which the System has no claim, the System may accept ownership of the intellectual property provided that:
  - (1) the individual makes the offer through one of the System components as if the intellectual property had been created within the System;
  - (2) the individual agrees to all provisions (including distribution of income provisions) of System Regulation 17.02.01, *Management of Intellectual Property*;
  - (3) the individual warrants that he or she owns all right, title and interest to the intellectual property, and that to the best of his or her knowledge, the

intellectual property does not infringe upon any existing copyright or other legal rights.

- 10.2 The CEOs of the System components shall advise the TLO of all such offers and may request a recommendation from the TLO regarding acceptance or rejection of the offers, and for patenting and commercialization, by the System.
- 10.3 Should the System agree to accept the offer of intellectual property, the individual will execute an assignment agreement transferring all right, title and interest in the intellectual property to the System, and acknowledging that the individual agrees to all provisions of this regulation, such agreement available from the TLO. In cases in which the individual has already expended funds toward obtaining patent or other legal protection for the invention, the individual and the System may negotiate terms to allow recovery of legal and/or patent expenses from license fees and/or royalty income. Such an agreement would modify normal royalty sharing provisions until such expenses are recovered by the party entitled to recovery of the expenses.
- 10.4 The System may accept charitable donations of intellectual property from governmental or private organizations. Upon the transfer of title in the intellectual property to the System, the intellectual property will be managed in accordance with this regulation.

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CONTACT FOR INTERPRETATION: The System Technology Licensing Office

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[Section 17 Rules](#)