

Section: Employee/Labor Relations

Section Number: 4.9.9.1

Subject: Intellectual Property Policy

Date of Present Issue: 01/15/88

Date of Previous Issues:
03/25/93

I. AUTHORITY

Section 7.00 of the Bylaws of the Board of Regents: Ownership of Property Rights.

Sec.701. Property Rights Relating to Research, Publications and Other Employment Activities. Patents and copyrights issued or acquired, as the result of, or in connection with, efforts extended by the University through administration, research, or other educational activities conducted by University employees with concomitant direct or indirect support by funds administered by the University, regardless of the source of such funds, shall be the property of the University, including all royalties or other revenue derived therefrom.

Subsection 7.01 (a). Computer software created by employees of the University in connection with administration, research or other educational activities with concomitant direct support by funds administered by the University, regardless of the source of such funds, shall be the property of the University. Such computer software may be made available by the appropriate process for use on a nonexclusive basis by those who pay established charges to reimburse the University for the costs of development, distribution and reproduction.

Subsection 7.01 (b). Patents, copyrights, and property rights in computer software resulting from activities which have received no support, direct or indirect, from the University shall be the property of the inventor, author, or creator thereof, free of any limitation which might otherwise arise by virtue of University employment.

Subsection 7.01 (c). In cases which involve both University supported activity and independent activity by a University employee, patents, copyrights, or other property rights in resulting work products shall be owned as agreed upon in writing and in advance of an exploitation thereof by the affected employee and the University, with the final approval of the Board of Regents.

Subsection 7.01 (d). Provisions of this section may be modified through agreement of the University with a third party sponsor or provider of funds, in which the University's agreement with such sponsor or provider shall control.

II. UNIVERSITY INTELLECTUAL PROPERTY PROCEDURES

A. DEFINITIONS

For the purpose of this policy, these terms shall be defined as follows:

Inventor: Author, playwright, programmer, artist, inventor, or other creator of patentable or copyrightable things or works.

Ownership Rights: Any and all rights, tangible or intangible, vested or not yet perfected, arising from any source which a person is capable of accruing under any patent or copyright law or convention.

Assigned Professional Responsibilities: Duties which are part of an individual's compensated employment by virtue of Job Description, Letter of Appointment, Employment Agreement, Assigned Objectives, Collective Bargaining Agreement, or as the result of specific task assignment by a supervisor.

B. DISCLOSURE

The development of patentable inventions and material that can be copyrighted or other discoveries by a faculty or staff member which is potentially marketable shall be disclosed to the Provost's Office through the completion of a Disclosure Form. The disclosure will be reviewed for completeness, documentation, and authentication.

C. INITIAL REVIEW

The Office of the Provost shall administer all such intellectual property in consultation with the President. The Provost will ordinarily consult with the appropriate department head to determine in which category a work belongs. The Provost will decide what constitutes traditional support in any case where there is a question or dispute and that determination will be controlling, subject on the Board of Regents' review, for deciding the appropriate category for ownership rights. The Provost will decide in consultation with the inventor(s) whether or not it is in the best interest of the University to register appropriate copyrights and/or apply for patents. If the Provost decides not to register copyrights and/or apply for patents, the Provost may waive University rights in favor of the inventor(s).

The Provost's Office will provide prompt assistance to individuals including review of requirements of sponsorship, if any, a preliminary market and proprietary status analysis, and explanation of options for commercialization.

D. OPTIONS FOR COMMERCIALIZATION

Prior to expenditure of substantial University resources for protecting and marketing intellectual properties, inventor(s) will be asked to elect one of the following options for commercialization:

1. Licensing Third Parties

The University may license University-generated intellectual properties to external entities for further development and commercialization in exchange for a return on resulting revenues. The University will bear the costs of licensing the intellectual property. If the University decides not to protect the intellectual property, it may be reassigned to the inventor(s) upon request, in accordance with option (c) below.

2. Licensing Employee-Inventor Owned Companies

The University may enter into license agreements with employee-inventor owned companies. Such licenses will be comparable to those negotiated with unrelated third party licenses. The terms may include royalty payment, equity interest, or a combination thereof, as consideration to the University for the license. The emphasis in structuring license agreements with start-up companies will be on helping the company become viable. Where the inventor-employee chooses to accept the expense and risk of protecting and marketing the technology in lieu of using the University's resources and services to do so, terms which reflect the inventor's increased acceptance of responsibilities can be accepted by the University.

3. Reassignment of Ownership to Inventors

Subject to the provisions described in Section E below, the University may reassign its ownership of an intellectual property to inventor(s) if the inventor(s) elect to market, protect, and license it on their own with minimal University involvement or if the University decides not to protect or license it. Normally, where the inventor desires to commercialize via a business in which the inventor holds a financial or management interest, the option described in (2.) above would be used.

The return to the University for reassignment of ownership will consist of recovery of any University patent and licensing expenses plus 15 percent of royalties, equity, or other value received by the inventor(s) through subsequent licensing or reassignment. In exceptional cases, in order to benefit the University, the Provost may make modifications in this rate of return for reassignment of ownership. After reassignment, any costs associated with protection, marketing, or licensing of intellectual property will not normally be borne by the University.

E. PROVISIONS IN ASSIGNMENT AND LICENSE AGREEMENTS

Assignment and license agreements entered into by the University will include provisions, as appropriate, regarding due diligence in patent or copyright protection and commercialization of the technology, reports on efforts and success in commercialization, access to records to assure compliance with the terms of the agreement, retention of University rights to practice the technology and extent of authority for subsequent licensing or reassignment. The University's license and assignment agreements must permit compliance with applicable laws, regulations, University policies, and the terms of agreements with sponsors.

Assignment and license agreements with University employee-inventor(s) will normally include a provision that continuing development of the intellectual property could take place without the use of University funds, facilities, or funds administered by the University.

License and assignment agreements between the University and employee(s) or between the University and a company in which University employee(s) hold a financial interest fall under the State of Michigan Conflict of Interest Act. This statute permits such agreements if certain disclosure, approval, and reporting requirements are met.

The name of the University shall not be used in connection with intellectual property in which the University has no interest without prior written permission from an authorized official of the University except that an inventor may be identified in a publication as an employee of the University without such written permission. The same restriction applies to the use of the name of the University in any commercial publications concerning a product in which the University does not have an interest.

F. DISTRIBUTION OF REVENUE FROM ROYALTIES OR SALE OF EQUITY INTEREST

1. Applicability

The revenue distribution plan described below will apply only to licenses and assignments that are granted after the plan is approved by the Board of Regents. Inventors and authors of intellectual properties resulting from specifically assigned tasks will normally not participate in the royalty/equity revenue distribution plan described below.

2. Revenue Distribution Plan

After recovery of University expenses, including but not limited to those for patent protection, marketing, and licensing, aggregate revenues resulting from royalties and sale of equity interests will be shared as follows:

The first \$10,000	75% to the inventor(s) 25% to the University
Next \$90,000	50% to the inventor(s) 50% to the University
Next \$100,000	40% to the inventor(s) 60% to the University
Over \$200,000	35% to the inventor(s) 65% to the University

Agreement forms are available in the office of the Assistant to the President.

Adopted by the Board of Regents on 03/25/93.