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UNIVERSITY POLICIES & PROCEDURES

Category: Administration
Title: **PATENT POLICY**
Applicability: Thomas Jefferson University
Contributors/Contributing Departments:

OBJECTIVES

Thomas Jefferson University ("the **University**") recognizes that patentable inventions may be made by its faculty, staff, and students in the course of research, teaching, clinical, consulting and other activities. It is the goal of the Patent Policy to protect the equities of all parties contributing to inventions and to serve the public interest by making inventions available to the public at the earliest possible time. The University recognizes that these goals may best be attained through the patenting and licensing of inventions. Therefore, to evaluate the practicality of inventions, to appraise and determine relative rights and equities of all parties concerned, to facilitate patent applications, licensing, and equitable distribution of royalties, if any, to obtain funds for research, and to provide a uniform procedure in patent matters where such originate within the University, the policy herein set down is adopted by the Board of Trustees of the University.

I. OWNERSHIP OF INVENTIONS

1.01. The University shall own all intellectual property rights, including patent rights, to any invention which is developed in whole or in part by a University faculty or staff member, fellow, resident, student, employee or unpaid volunteer that emerges from any research, development, clinical or other activity sponsored by the University, or which is conceived or reduced to practice on University time or with the use of University funds, equipment, facilities, or other personnel. As used herein, invention means any invention or discovery that is or may be patentable or otherwise protectable under Title 5 of the United States Code or any novel variety of plant that is or may be protected under the Plant Variety Protection Act (7 U.S.C. §2321 et seq.).

1.02. In dealing with inventions which are conceived or reduced to practice in the course of research or development sponsored by a third party, the University will abide by the term of the agreement or contract with the third party sponsor. Where an option exists, the University will seek agreements and contracts, or waivers thereof, which will allow patent rights to remain with the University.

1.03. Inventions not involving any use of the University's funds, equipment, facilities, or personnel are the property of the inventor, provided that the inventions were not conceived or reduced to practice on University time and did not emerge from activities at the University.

1.04. Any faculty or staff member, student, employee or unpaid volunteer involved in a business, or other outside activity is responsible for ensuring that any agreement which he (she) may enter into does not conflict with the University's policies. The University's rights and the individual's obligations to the University will in no way be abrogated or limited by the terms of such an agreement. The University

reserves the right to require that it review proposed agreements between a faculty or staff member, fellow, resident, student, employee, or unpaid volunteer and an outside party that has or intends to:

- A. license University rights relating to an invention made by such individual; or
- B. sponsor research at the University in which such individual is involved.

II. ADMINISTRATION OF INVENTIONS

2.01. Inventions or discoveries are to be fully and promptly disclosed by the inventor on an Invention Disclosure Form (**Attachment 1**) available from the Office of Technology Transfer (hereinafter **OTT**).

2.02. Inventions or discoveries shall be disclosed by the inventor to the OTT, which shall notify the appropriate department or University division head on receipt of the disclosure as well as the federal agency funding the research from which the invention has arisen if any. In order to maintain the widest range of intellectual property rights, disclosure of an invention to the OTT shall precede an inventor's publicly disclosing, publishing, commercially using or offering for sale the invention.

2.03. In instances where the University is entitled to own patent rights to an invention, the inventor will shall assign to the University or its designee the intellectual property rights, including patent rights, to the invention, execute patent applications on the invention when requested by the University, and give all reasonable aid in the procurement, maintenance and enforcement of patents on the invention. Faculty and staff members, fellows, residents, students, employees and unpaid volunteers through this policy hereby appoint the University OTT as their attorney-in-fact to perfect and to assign to the University the patent interest stated herein.

2.04. Upon receipt of an invention disclosure, the University will decide upon the method for administering the invention that best fulfills the objectives of the Patent Policy. The University may elect to seek a patent or to pursue any other alternative procedures intended to protect and maintain the University's intellectual property rights in the disclosed invention. At the discretion of the University, a patent management organization may be retained in connection with any particular idea or invention, in which case the rights and obligations of the University and the inventor will be governed by the terms of the agreement between such an organization and the University.

2.05. If the University or its designee does not apply for a patent within two years of the date the invention was first disclosed to the University, or one year from the date of complete disclosure (completion as determined solely by the OTT), the inventor shall be free to make a petition in writing to the Intellectual Property Policy Committee for the release of the University's rights to the invention. If the University agrees to release the rights to the inventor, the inventor will grant to the University a royalty-free, irrevocable, perpetual non-exclusive license to make and use the invention for its own purposes. However, where the invention arose from federally-sponsored research, the University may not assign the rights to the inventor without the approval of the federal agency funding the research.

If after the University or its designee has filed a patent application, it decides to abandon patent prosecution, the inventor will be notified and will be free to apply for or continue the prosecution of a patent in the inventor's own name and own expense. Under these circumstances, the inventor will grant to the University a royalty-free, irrevocable, perpetual non-exclusive license to make or use the invention for its own purposes. Where the subject invention arose from federally-sponsored research, the University OTT will notify the federal funding agency of any decision not to continue the prosecution of the patent application, pay maintenance fees, or defend in a reexamination or opposition proceeding on a patent, in any country, not less than thirty (30) days before the expiration of the response period required by the relevant patent office. The University may not assign the rights to the inventor without the approval of the federal agency

funding the research.

2.06. In cases in which the University or its designee has obtained a patent, the University will seek to enter into a license agreement or other arrangement for the commercial development of the invention. The inventor will be encouraged to identify and propose opportunities for commercial development to the University.

2.07. An owner of a right to an invention not covered under the section "Ownership of Inventions" above may submit such an invention to the University for patenting and/or commercial development under terms mutually agreeable to the inventor and the University.

2.08. All disputes concerning the interpretation and application of the Patent Policy will be submitted for resolution to the Intellectual Property Policy Committee. Issues, disputes or decisions under appeal that the Intellectual Property Policy Committee cannot resolve will be resolved by the President or the President's designee. All disputes with respect to the Patent Policy, subsequent to the decision of the President, shall be subject to arbitration pursuant to the rules then prevailing of the American Arbitration Association (AAA). The arbitration shall be presided over by a single arbitrator to be selected pursuant to AAA guidelines. The positions of each party to the dispute are to be submitted in writing to the chosen arbitrator. Oral testimony and presentation will not be requested by any party to said dispute and only may be included in the arbitration proceedings upon the request of the arbitrator. The prevailing party to the arbitration shall be entitled to reasonable fees and costs of the arbitration. The arbitration decision is considered final and binding.

2.09. The agreement to assign the University all patentable, or deemed to be patentable, inventions within the provisions of this policy shall be a condition of employment or appointment to the University. Notebooks and other documents pertaining to research activities leading to a patent application are the property of the University and will be retained in the files of the University.

2.10. This Patent Policy supersedes all prior policies, whether formal or informal, provided, however, that for inventions disclosed prior to the Effective Date of this Policy, the royalty distribution provisions of the Patent Policy in effect at the time such invention was disclosed shall apply. In certain instances, by mutual written agreement, the University and inventors may agree to apply the terms of this Policy to inventions disclosed prior to the Effective Date of this Policy. Such agreement to have an invention or related group of inventions treated under this Policy must be unanimous (if more than one inventor is involved) and must be made in writing before the first distribution of royalties received by the University after the Effective Date. If such an agreement is made, all future royalties shall be governed under this Policy, regardless of any prior royalty distributions, with Net Income being based on income after the Effective Date and expenses prior to and after the Effective Date.

III. DISTRIBUTION OF ROYALTIES

3.01. Income from the licensing or assignment of patents or patent rights will be distributed among the inventor, the inventor's department, the inventor's University operating division, and the University as shown in **Table 1** below. The term "Gross Income" shall mean all monies received by the University by reason of its ownership or administration of any inventions, patents, or patent rights, including license fees, minimum royalties, and royalties on sales of products, but excluding any payments for research at the University. An award actually paid to the University resulting from legal actions taken by the University or its licensee for infringement of the University's intellectual property is includable in Gross Income. In the event that an independent patent management organization is engaged to manage a particular invention, Gross Income shall be royalties received from the patent management organization.

The term "Net Income" as shown in **Table 1**, shall mean Gross Income minus the total of all patent, legal and other costs attributable to an invention and its related license(s) not paid by the licensee or an independent patent management organization, including, but not limited to, all historic and on-going patent and legal costs related to the patents, patent applications or other technologies licensed, including copyright or trademark protection; licensing and other internal or out-of-pocket transactional costs; finder s fees or commissions; shares of stock or monies paid or due under agreements with patent management organizations; monies due under agreements with other entities that jointly own licensed technologies; litigation or dispute resolution costs; monies paid or due third parties as a result of settlement or judgment in a dispute; and other costs relating to licensing of the technologies.

The University will distribute "Royalty Income" to the inventors and the appropriate University operating division and departments based on Net Income. University operating division refers to operating divisions of the University, such as the Colleges and Corporate Services.

TABLE 1: CALCULATION OF ROYALTY DISTRIBUTION - ("ROYALTY INCOME")

Inventor(s) - 40% of Net Income
Department - 12% of Net Income
University Operating Division - 21% of Net Income
University - 27% of Net Income

3.02. When the "inventor" is actually a group of individuals, the Inventor's Share of any Royalty Income will be distributed to members of the group in equal portions unless a written instruction for an alternate distribution is presented by the inventor group and is approved by the Intellectual Property Policy Committee. If inventions licensed under a single license agreement have different groups of inventors, the Intellectual Property Policy Committee shall determine an equitable method for distribution of the Inventor s Share of Royalty Income. The inventors may submit a written proposal for such a distribution to the Intellectual Property Policy Committee for its review. If a license agreement grants rights to future University inventions to the licensee, then upfront royalties and minimum royalties shall typically be divided only among inventors of inventions licensed at the time the license agreement was signed, unless the inventors agree otherwise.

3.03. In some instances, the University or an organization affiliated with the University (such as a research foundation) may choose to make an investment in the further development of an invention (e.g., funding the inventor's research or prototype development). Such funding may increase the likelihood of the invention being licensed and may increase the value received by the University in a license. As a condition of the University providing such funding, revenue generated from licensing of the invention (or equity, as described in Article IV) may be divided into two categories - revenue associated with the value of the invention prior to such funding and revenue associated with the value added through such funding. Revenue associated with the first category shall be treated as described in paragraph 3.01. Revenue associated with the second category shall be retained by the University. Decisions on the allocation of revenue between the two categories shall be made by the President after receiving recommendations from the Intellectual Property Policy Committee and the relevant division head(s) and shall be agreed to in writing by the University and the inventor(s) prior to the funding being provided. Participants in research to be supported by such funding may be required to agree in writing prior to participating in such research to the allocation, in the event they make future inventions with such funding.

3.04. The inventor(s) shall continue to receive the specified share of Royalty Income after he (she) is no longer affiliated with the University. In the event of the inventor's death, Royalty Income due and payable under this Policy will be paid to the inventor's estate for the remainder of the royalty period.

3.05. Where appropriate, the Department's Share of income will be used to support research, with the inventor's research receiving first priority for use of these funds. The department will receive its share of Royalty Income as long as the inventor is affiliated with that department. Should the inventor transfer or otherwise change departments or University operating divisions or leave the University, the appropriate University operating division head(s), in consultation with the inventor and the respective department heads (if relevant), will determine the sharing, if appropriate, and the distribution of patent revenues. In the event that the inventor is a group of inventors affiliated with more than one department or is a member of a distinct Center or Institute, defined as an administrative unit which is responsible for its own indirect costs, the departmental share of Royalty Income will be prorated among the involved departments with the approval of the appropriate University division head(s). As a general rule, if an inventor is affiliated with more than one department, the department sponsoring the activity that led to the invention will be the department that shares in the royalties.

3.06. Royalty Income distributed to a University operating division will be used in such ways as to further research or education in that division and will be allocated at the discretion of the division head for those purposes. In like manner, Royalty Income retained by the University will also be used to further research or education at the University and will be allocated at the discretion of the President for those purposes.

IV. EQUITY

4.01. The University recognizes that, in certain instances, the public interest may best be served through the licensing of an invention or group of inventions to a newly created or early stage company. Such a company may make a more focused effort to commercially develop an invention to make it available to the public. In order to maximize company funds available for development of the invention, the company may offer, and the University may accept, equity in the company in lieu of cash license fees as full or partial consideration for the license. As used herein, the term equity shall mean stock or other negotiable instruments that are convertible into stock or any rights of ownership in any entity.

4.02. License agreements involving equity must be structured to protect the University from liability and to avoid or manage conflicts of interest. University personnel shall abide by the University's Policy on Avoidance of Conflicts of Interests (**Policy No. 102.05**), the University's Conflicts of Interest Policy for Employees (**Policy No. 107.03**), and any other University or division policies pertaining to conflicts of interest. In general, the University will not accept a position on the Board of Directors of the licensee but may observe and exercise observer rights on such boards. Exceptions to this policy require review by the Standing Committee on Conflicts of Interest and Commitment ("**COI Committee**"), which will forward its recommendation to the President for approval. The licensee and the inventors shall be required to disclose in writing to the University OTT, prior to the license being signed, any equity to be issued to the inventor(s) for their roles as founders, consultants, or otherwise. Consistent with the University's Conflicts of Interest Policy for Employees, the Director of OTT will notify the University's Conflicts of Interest Officer ("**COI Officer**") of the proposed terms of a license agreement. The COI Officer will review the terms of the agreement in light of the inventor's Certification and determine whether the agreement would create a significant individual financial interest in ongoing or proposed research, be it human subjects research or otherwise. If the COI Officer determines that the agreement would create a significant individual financial interest, he/she will inform the Director of OTT of the existence of the potential conflict of interest and forward the potential conflict of interest to the COI Committee for review. The inventor may not receive any additional equity from the licensee, beyond that disclosed prior to the license agreement being signed, without the prior written approval of the COI Committee.

4.03. The inventor(s) shall normally receive 35% of the total equity negotiated by the University as consideration for the license, unless one or more inventors receive an equity share outside of the equity

negotiated by the University. An inventor who receives an equity share outside of the equity share negotiated by the University shall not receive a portion of the equity negotiated by the University, except with approval of the University. If one or more inventors receive an equity share outside of the equity share negotiated by the University and other inventor(s) do not, the portion of the equity share to be distributed among the other inventor(s) shall be reduced based upon the relative contributions of the inventors to the inventions being licensed. Inventors receiving an equity share shall also normally receive a share of the Royalty Income as described in paragraph 3.01. However, in certain instances, when an inventor receives an equity share outside of the equity share negotiated by the University, the University may determine that an inventor shall not receive a portion of the Royalty Income. Such decision shall be made by the President or his designee.

4.04. In general, the University shall require that the inventor(s) share of equity be issued directly to the inventor(s) by the company at the time the equity is issued. The inventor(s) shall be responsible for retaining their own business advisors, legal counsel, and tax counsel, and for all financial, tax, and legal consequences related to the equity share they receive. As noted in Section 4.02 supra, all license agreements involving equity are reviewed by the COI Officer, who will forward the license agreement to the COI Committee for review if a significant financial interest is identified. Following its review, the COI Committee may require that the inventor hold any such equity share in a blind trust or escrow arrangement for a defined period of time. In certain instances, the University may agree to accept the entire equity share, including the inventor(s) share, provided that the investor(s) release the University in writing from any liability associated with the University's management of the combined equity shares. In such instances, income received by the University at such time as the University at its sole discretion sells the equity shares, shall be included in Net Income as described in paragraph 3.01. Any equity shares received by the University (65% of assigned equity shares) shall be managed by the University Treasurer. The disposition of equity shares shall be conducted in concordance with the University policies on Conflict of Interest and on Equity Acceptance, Handling & Sale of Technology Licensing Arrangements (Policy No. 102.37). The non-inventor's share of Net Income arising from the sale of equity shares by the University shall be distributed as follows:

Department - 20%

Division - 35%

University - 45%

V. UNIVERSITY INTELLECTUAL PROPERTY POLICY COMMITTEE

The University Intellectual Property Policy Committee, appointed by the President, will consist of at least five six members representing the faculty and administration concerned with research and faculty affairs. Specifically, the Committee will be composed of the Vice President for Research (Chair); the University's Chief Financial Officer; University Counsel; the Director of OTT; and two faculty members. Faculty committee members are appointed in alternate years, shall serve for a period of two years and may be reappointed for additional terms.

The Intellectual Property Policy Committee shall meet to review those matters within its authority and responsibility with respect to discoveries, inventions, policy, administration and other matters assigned to the Committee, including:

1. review of University activities regarding the protection and commercialization of inventions and other intellectual property and to provide advice to the Director of OTT in the implementation of the Patent Policy and other matters pertaining to intellectual property;
2. determination of the ownership of inventions, copyrightable works, tangible research property, and other

intellectual property;

3. determination of the equities of the University, the inventor, and other parties with regard to intellectual property and to make determinations on the fair sharing of royalties for any intellectual property in which the University has an interest;
4. review of requests from inventors and recommendations from the Director of the OTT regarding the release of University rights to the inventor, in cases where the University has chosen not to pursue patent protection on an invention, and to determine whether such rights shall be released;
5. periodic reporting of its findings to the President or his designee on all matters related to the Committee's charge, including intellectual property and related policies; and,
6. periodic review of the University's Patent Policy and recommend to the President improvements in its content and implementation.

The Intellectual Property Policy Committee reports via the President to the Biotechnology Subcommittee of the Board of Trustees.

Attachment 1: [Process for Handling Invention Disclosures \(PDF\)](#)

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Review Date(s):

Responsibility for maintenance of policy: V. P. for Research

(Signature on File)

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