

MIT Community[Disclose an Invention, Biological and Tangible Material, or Copyright](#)[Tech Transfer Process](#)[Startup Guide](#)[Policies](#)[Ownership](#)[Preserving Your Patent Rights](#)[For Students](#)[Material Transfer Agreements](#)[Software](#)[Lincoln Laboratory](#)[The Entrepreneurship Center](#)**Guide to the Ownership, Distribution and Commercial Development of M.I.T. Technology****PART 4. COMMERCIALIZATION****[4.0 INTRODUCTION](#)****[4.1 COMMERCIALIZATION - GENERAL](#)****[4.2 PATENTS](#)****[4.3 COPYRIGHTS](#)****[4.4 TRADE AND SERVICE MARKS](#)****[4.5 MASK WORKS](#)****[4.6 TANGIBLE RESEARCH PROPERTY](#)****[4.7 LICENSING OF M.I.T. RIGHTS TO INVENTORS/AUTHORS](#)****[4.8 ROYALTY DISTRIBUTION](#)****[4.9 COMMITTEE ON COPYRIGHTS AND PATENTS](#)****[4.10 CONFLICT OF INTEREST - LICENSING OFFICE STAFF](#)****[4.11 COMMITTEE ON COPYRIGHTS AND PATENTS](#)**[Next Section](#)[Previous Section](#)[Table of Contents](#)**4.0 INTRODUCTION**

It has long been acknowledged that the primary functions of a university are education, research, and public service. It is in the context of public service that M.I.T. supports efforts directed toward bringing the fruits of M.I.T. research to public use and benefit.

In many cases, mere publication of research results will be sufficient to transfer M.I.T. research to the public. In other cases, it is necessary to encourage industry, by protection of the intellectual property and the granting of license rights, to invest its resources to develop products and processes for use by the public.

4.1. COMMERCIALIZATION - GENERAL

The TLO will pursue the licensing of technology by researching the market for the technology, identifying third parties to commercialize it, entering into discussions with potential licensees, negotiating appropriate licenses or other agreements, monitoring progress, and distributing royalties to the inventors/authors in accordance with M.I.T. royalty policy. When it is appropriate to do so, M.I.T. may accept an equity position in partial lieu of cash royalties.

4.1.1 INVENTOR/AUTHOR ASSISTANCE

With few exceptions, the support and cooperation of the inventor/author is critical to licensing success.

4.1.2 INVENTOR/AUTHOR OWNED TECHNOLOGY

M.I.T. faculty, staff, or students who wish to pursue the development of their independently-owned technology through the TLO may offer to assign their rights to M.I.T. by submitting a [Technology Disclosure Form](#).

Faculty, staff, and students are equally free to choose some other mechanism for commercializing their independently-owned technology, but prior to such commercialization should make sure that the technology is not subject to a sponsored research or other agreement, does not constitute a work-for-hire, nor results from significant use of funds or facilities administered by M.I.T. If any of these conditions might apply, the inventor/author should request from the TLO an appropriate license to the intellectual property or a [waiver of M.I.T.'s rights](#) as set forth in this PART 4. M.I.T. will not normally commit future inventions to licensees, even where improvements to technology are anticipated. Some very narrowly drawn exceptions may occasionally be appropriate to handle subordinate patents and well-defined derivative works for licensed software.

4.1.4 CONSULTING CONTRACTS

The TLO will not negotiate consulting contracts for individual inventors/authors as part of a license arrangement.

4.2 PATENTS

4.2.1 EVALUATION

Once a Technology Disclosure Form disclosing an invention is submitted to the TLO, the assigned Technology Licensing Officer will begin the process of evaluating the invention for patentability, commercial potential and obligations to sponsors. The first step will typically be a meeting with the inventor. The TLO may also request that one of the inventors participate in a literature search of prior art.

4.2.2 SPONSORED PROGRAMS

If the invention arose from a sponsored research project, the TLO will file for a patent and negotiate an appropriate license consistent with the terms of the contract.

The TLO can advise about the specific patent terms of individual research agreements.

4.3 COPYRIGHTS

4.3.1 COMMERCIALIZATION BY THE TLO

Copyrightable works owned by M.I.T. are normally licensed through the TLO except where other arrangements are made in accordance with this policy. Copyrightable material not owned by M.I.T. may be licensed through the TLO when

submitted under a Technology Disclosure Form to the TLO by its author and accepted for licensing by the TLO.

COMPUTER SOFTWARE: Computer software in which M.I.T. acquires rights may be either patented or copyrighted and made available by M.I.T. for commercial purposes through the TLO under various forms of patent or copyright licenses. Authors and their departments/laboratories will share in royalties earned from licensing as further set forth in this policy. If authors desire to distribute software for noncommercial research purposes which has been commercially licensed by the TLO to third parties, such licensing must be coordinated with the TLO.

VIDEO WORKS: This policy does not define commercialization and ownership rights to video works produced through use of M.I.T. facilities or those which may be specifically commissioned by a department or center within M.I.T. Video works developed pursuant to an agreement will be subject to the terms of that agreement. The disposition of rights with respect to other M.I.T.-owned video works will be made on a case-by-case basis until such time as a policy has been defined.

4.4 TRADE AND SERVICE MARKS

Trade and Service Marks owned by M.I.T. are to be licensed through the TLO.

4.5 MASK WORKS

Mask works owned by M.I.T. are to be licensed through the TLO.

In general, mask works royalties will be allocated as set forth in [Section 4.8](#).

4.6 TANGIBLE RESEARCH PROPERTY

It is M.I.T. policy that any commercial distribution of M.I.T.-owned TRP be handled only through the TLO.

If TRP developed by M.I.T. is to be distributed to outside users for commercial purposes, the distribution agreement must contain provisions negotiated by the TLO covering the terms under which the property may be used, limits on M.I.T.'s liability for the TRP or products derived therefrom, and other conventional license agreement terms including those relating to any intangible property rights (such as patents) which also may be associated with the use of the tangible property.

4.7 LICENSING OF M.I.T. RIGHTS TO INVENTORS/AUTHORS

M.I.T. faculty, staff, or student inventors or authors may also request a license to commercially develop their M.I.T.-owned inventions or copyrighted materials where such licensing would enhance the transfer of the technology, is consistent with M.I.T. obligations to third parties, and does not involve a conflict of interest. Such license will

include the payment of appropriate royalties and required diligence to develop and disseminate the technology. Such arrangements will be subject to M.I.T.'s Conflict of Interest and Commitment policies at stated in Section 4.2.5.

In the case of copyrighted materials that relate to major projects that typically involve multiple authors and long development periods, determining the most effective course for dissemination will require discussion and special negotiation with the TLO.

M.I.T. will respond to author requests made under this policy within ninety (90) days. However, in those cases where the work, generally software, is not sufficiently developed to allow proper assessment, M.I.T. may require additional development prior to responding to an author request.

4.8 ROYALTY DISTRIBUTION

Net royalty income received by M.I.T. is distributed in the calendar quarter following the end of each fiscal year. Recipients are inventors, departments, and centers and interdisciplinary laboratories according to the formulae below; remaining royalties, after TLO office and patent expenses, are retained by the MIT General Fund. Royalties received by departments, interdisciplinary laboratories and centers, and by the M.I.T. General Fund are, by policy and law, to be used only for educational and research purposes.

Royalty shares are calculated as follows:

A. Calculation of Inventors' Shares

For each Case (usually defined as the patents, software, or Tangible Property derived from a single Technology Disclosure), the distribution of inventor royalties derived from the Case is calculated as follows:

1. Deduct 15% Administrative Fee from Gross Royalty Income

This deduction is directed toward covering the expenses of the Technology Licensing Office.

2. Then, deduct out-of-pocket costs not reimbursed by licensees and, in some cases, a reserve to arrive at Adjusted Royalty Income

Out-of-pocket costs are direct assignable expenses to a specific case such as patent filing, prosecution and maintenance fees and specific marketing costs.

When out-of-pocket costs in the next M.I.T. fiscal year are forecast and future income unlikely, a reserve may be deducted. Any excess reserve will be promptly distributed after forecasted costs are paid.

3. Distribute one-third of the Adjusted Royalty Income to the inventors/authors ("the Inventors' Share"). This distribution shall be contingent upon the inventors'/authors' adherence to the obligations of

any applicable sponsored research agreement. The Inventors' Share will be divided equally among all inventors unless all the inventors agree in writing to a different distribution.

B. Calculation of Royalty Shares for Departments and Centers

Royalty income received by the TLO, net of Administrative Fees; distribution of royalties to inventors and third parties; and net of the TLO's expenses of patent prosecution and maintenance is distributed to academic departments and interdisciplinary centers and laboratories pro rata based on the total net royalty income attributed to cases from each department, center or interdisciplinary laboratory using the following calculations:

1. Calculation of the Elements of Royalty Shares for Departments and Center

Calculate: "Case Contribution" for each case = Gross Case Royalties less Administrative Fee and Inventors' Share. Also subtract share of royalties owed to third party joint owners or other third parties, if any

Sum: Case Contributions for each Department or Center = "Department/Center Case Contribution"

Sum: All Case Contributions for all Departments and Centers = "Total Case Contribution"

Calculate "Total Net Patent Expenses" = Total TLO patent expenses for the fiscal year minus all patent reimbursement payments received from licenses.

Calculate "Total Program Contribution" = Total Case Contribution minus Total Net Patent Expense

2. Royalty Shares for Departments and Centers

50% of Total Program Contribution is distributed among Departments and Centers proportional to their Department/Center Case Contribution

3. Contribution to the General Fund.

Remaining net income from Total Program Contribution and from the Administrative Fees are first used to cover TLO office and patent expenses, with the remainder going to the General Fund at the end of the fiscal year

NOTE 1: If the Vice President for Research determines that an inventor or author has caused a material breach of a sponsored research agreement, he or she may after investigation, but in his or her sole discretion, deny the inventor or author all or a portion of the royalty income from any inventions arising from such sponsored research agreement.

NOTE 2: The term "Centers" as used herein includes both Centers and Interdisciplinary Laboratories. Only Centers and Interdisciplinary Laboratories that are formally recognized by the Institute through access to the Laboratory Director's Account are eligible to receive royalty income. Except as might otherwise be

dictated by research contract obligations, the distribution of Department and Center royalties shall be based on (i) the organization (Department or Center) that administered the research contract from which the invention arose, and (ii) the academic Department affiliation of the inventors, if any, and shall be calculated as follows.

(a) If a research contract was not administered by a Center, the Department/Center share shall be allocated to the Department(s) with which the inventor(s) and research grant(s) are affiliated. Distribution to the Departments shall be pro rata based on the number of inventors affiliated with each Department.

(b) If a research contract was administered by a Center, the Department/Center share shall be split between the Center and the Department(s) with which the inventor(s) are affiliated. The distribution shall be according to the following algorithm per invention:

(i) Each M.I.T. inventor on the invention is allocated 2 points.

(ii) If an M.I.T. inventor has a Department affiliation, then the Department receives 1 point and the Center receives 1 point for that inventor. An M.I.T. graduate student inventor's Department affiliation is the Department in which the M.I.T. graduate student is a degree candidate.

(iii) If an M.I.T. inventor (such as a Research Associate) does not have a Department affiliation, then the Center receives 2 points for that M.I.T. inventor.

(iv) If the M.I.T. inventor is an undergraduate student, the Center receives 2 points for that M.I.T. inventor

(v) All of the points for the M.I.T. inventors on each invention are then totaled for each Department or Center.

Attribution to the appropriate Department or Center for each Case is made in proportion to the points allocated.

4.9 ROYALTIES - SPECIAL CASES

4.9.1 Impractical or inappropriate royalties

In some cases distribution of royalties to individuals will be impractical or inappropriate; for example, where the material was developed as a center project or where the authors/inventors are not easily identifiable. The Director of the TLO, in consultation with the principal investigator (or Center/Department head if not under a sponsored agreement) will review the circumstances of development when such situations have been identified. Generally in such cases, royalties will be split equally between the Department or Center and the M.I.T. General Fund. In any situation when royalty distribution to individuals is not recommended, distribution of income is subject to the approval of the Vice President for Research.

4.9.2 Distribution of Equity

If M.I.T. does acquire equity in lieu or partial lieu of royalties for intellectual property, any inventor/author receiving an equity position in the company from the company will not share in MIT's equity. For all other inventors/authors, M.I.T. will, upon occurrence

of a liquidation event, distribute cash (corresponding to the inventors'/authors' equity shares) to the inventors/authors according to the formula outlined in Section 4.8(A).

4.10 CONFLICT OF INTEREST OR COMMITMENT

4.10.1 Conflict of Interest in Waiving Technology

Any of the following factors may signify a conflict of interest which will be taken into account prior to waiving or licensing M.I.T.'s rights to inventors

- (1) an adverse impact on M.I.T.'s educational responsibility to its students;
- (2) an undue influence on the employment commitment of the inventor/author to M.I.T in terms of time or direction of effort;
- (3) a detrimental effect on M.I.T.'s obligation to serve the needs of the general public;
- (4) potential conflict of interest as defined in M.I.T.'s Policies and Procedures.

4.10.2 Conflict of Interest and Commitment - Startup Companies

If the inventor/author holds or will shortly acquire an equity or founder's stock and/or option position in a small, tightly-controlled company to which the invention is licensed, M.I.T. may accept equity in lieu of royalty only with the prior approval of the Vice President for Research. If the inventor/author will remain an employee of M.I.T. after formation of the company in which he or she will acquire an equity position, the inventor/author will be required to sign a Conflict Avoidance Statement (see Form No. 4 in Appendix A)

M.I.T. will not accept research funding from a licensee in which M.I.T., through the TLO, or an M.I.T. inventor has an equity interest (including stocks, options, warrants or other financial instruments convertible into equity) unless:

- (i) the research is not likely to result in inventions dominated by the claims of the licensed patent or in software that is a derivative work of the licensed software; and
- (ii) the research will not be conducted in the inventor's laboratory group; and
- (iii) the inventor's students will not participate in any project funded by the licensee.

When an inventor/author desires to avoid equity in order to obtain research funding from a small company, M.I.T. will generally also avoid taking equity through a license agreement. In such cases, the TLO will require in its license agreements that the inventor not make any arrangements to obtain equity at a later date and avoid negotiating for equity until at least two years following the termination of the research agreement.

4.10.3 Conflict of Interest—Licensing Office Staff

In order to assure no present or potential future conflict of interest, an individual Technology Licensing Office staff member should not personally invest in non-public companies that have

licensed M.I.T. intellectual property. If a staff member is a partner in a venture fund, that staff member should not engage in licensing negotiations with any company in which that fund is invested, and those who are voting partners should not recommend M.I.T. companies to that fund. TLO staff members also have a special responsibility to assure that their knowledge of a TLO license to a public company is not disseminated in any way that could affect the company's stock price, and that the knowledge is not used for investment purposes by themselves, their families, friends or business associates.

4.11 COMMITTEE ON COPYRIGHTS AND PATENTS

A standing Presidential Committee will oversee the operations of the TLO. The committee will include representatives from those fields of technology generally served by the TLO. This committee may, from time to time, elect to create a subcommittee of experts in a specific technology whose function is to recommend policy that relates to the exploitation of that technology.

[Next Section](#)

[Previous Section](#)

[Table of Contents](#)

