

THE UNIVERSITY OF MICHIGAN

REGENTS' COMMUNICATION

ACTION ITEM

Subject: Technology Transfer Policy

Action Requested: Approval of Policy and Procedures for Policy
Modifications

Background

Regents' Bylaw 3.10 provides that the University owns patents, copyrights, and software derived from work that is supported directly or indirectly with funds administered by the University. In 1996, the Regents approved a "Revised Policy on Intellectual Properties" ("Intellectual Properties Policy"). This policy affirmed technology transfer as an integral component of the University mission, supported licensing to new business startups, and altered revenue sharing arrangements. The Intellectual Properties Policy was revised again in 2004 to restore revenue sharing to central administration and to provide supplemental patent funding from licensing revenues. In a related action, in 2002, the Regents approved a new policy, "Ownership of Copyrighted Works Created at or in Affiliation with the University of Michigan," which defines the ownership and usage rights of copyrightable works.

We are proposing modifications to the current Intellectual Properties Policy. The most substantive change will rescind the waiver of institutional revenue sharing now in place for faculty who receive equity from a licensee. Other modifications include updating practices and definitions and clarifying the responsibilities of the Office of Technology Transfer. Revenue sharing percentages will not change. The name of the policy is being changed to "Technology Transfer Policy" to more accurately reflect its subject matter and to avoid confusion with other University policies regarding intellectual property. These modifications will bring our practices in line with those of our peer institutions, and are in keeping with what are viewed as "best practices" in the university technology transfer arena. A copy of the new policy is attached.

The Office of the Vice President for Research will periodically review the Technology Transfer Policy and, upon consultation with the president, will revise the policy as appropriate. These changes will be reported to the Regents as information items.

Action Requested

We therefore seek approval of the attached Technology Transfer Policy and the procedures for policy revision described above.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen R. Forrest". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Stephen R. Forrest
Vice President for Research

December 2006

**THE UNIVERSITY OF MICHIGAN
TECHNOLOGY TRANSFER POLICY**

December 2006 (Final – v8.2)

I. APPLICABILITY AND SCOPE OF POLICY

This Policy implements Section 3.10 of the Bylaws of the Board of Regents. The Policy further defines the ownership, distribution, and commercialization of rights associated with Intellectual Property developed at or received by the University of Michigan, and describes the general obligations associated with the technology licensing process. Such implementing policies and procedures, as long as consistent with Section 3.10 of the Bylaws of the Board of Regents, may be modified from time to time by the Vice President for Research in consultation with the President.

The University recognizes and supports technology transfer as an integral component of the University's mission. Licensing of Intellectual Property rights to parties outside the University is one significant manner in which technology transfer is accomplished, and is the focus of this Policy. The objectives of technology transfer include the following: to facilitate the efficient transfer of knowledge and technology from the University to the private sector in support of the public interest; to support the discovery of new knowledge and technology; to attract resources for the support of University programs; to provide services to University Employees to facilitate their efforts to carry out the University's mission; and to promote local, state, and national economic development.

This Policy is applicable to all units of the University including its colleges, schools, departments, centers, institutes, and hospitals, and to all of its Employees. This Policy replaces the 1996 "Revised Policy on Intellectual Properties" (amended 2004) and, except as provided below, applies as of the date of this policy revision. The Office of the Vice President for Research ("OVPR") and the Office of Technology Transfer ("OTT") are authorized to administer this Policy and to implement further rules and procedures within the framework provided herein to facilitate technology transfer and compliance with this Policy. Applicable law and the terms of specific sponsored research agreements and other contractual arrangements undertaken by the University or one of its units in good faith will govern where such agreements differ from the provisions of this Policy and have been approved by authorized University representatives. The University reserves the right to amend this Policy at any time, including with respect to current and former Employees.

II. OWNERSHIP OF INTELLECTUAL PROPERTY

A. Intellectual Property made (e.g., conceived or first reduced to practice) by any person, regardless of employment status, with the direct or indirect support of funds administered by the University (regardless of the source of such funds) shall be the property of the University, except as provided by this or other University policy. Funds administered by the University include University resources, and funds for employee compensation, materials, or facilities.

B. It is the obligation of Employees engaged in consulting and other activities with outside entities to ensure that their activities and agreements with third parties are not in conflict with the provisions of this Policy or other commitments involving the University. OVPR shall set and administer rules regarding the ownership of Intellectual Property made during outside employment activities (e.g., consulting). Employees should inform those outside parties with whom they make agreements of their obligations to the University..

C. The University generally will retain ownership of Intellectual Property produced by Employees while participating in sabbaticals or other external activities if they receive salary from the University for such activity. Exceptions to this rule may be approved by the Vice President for Research. It is the

responsibility of any such Employee to seek review by his or her appointing department (or equivalent) and OVPR in advance of entering into any intellectual property ownership agreements that may be associated with these activities or where such Employee is receiving partial salary.

D. The University will not generally claim ownership of Intellectual Property created by Students. (A "student" is a person enrolled in University courses for credit except when that person is an Employee.) However, the University does claim ownership of Intellectual Property created by students in their capacity as Employees or with direct or indirect support of funds administered by the University. Such students shall be considered to be Employees for the purposes of this Policy. Students and others may, if agreeable to the student and OTT, assign their Intellectual Property rights to the University in consideration for being treated as an Employee Inventor under this Policy.

E. All Intellectual Property made under sponsored research agreements and material transfer agreements shall be owned by the University except where previously agreed otherwise in writing based on the circumstances under consideration. Such exceptions shall be approved and negotiated by OVPR; Intellectual Property subject to such an exception shall nevertheless be subject to the disclosure requirements of this Policy.

F. Trade and service marks not incorporating previously-existing University marks and that are related to University Intellectual Property and technology transfer activities are within the scope of this Policy and will be managed by OTT. University marks, including the University of Michigan Seal, are governed by other University policy.

III. DISCLOSURE

A. In order to comply with federal law and to identify and assess University Intellectual Property as an asset of the University, Employees have an obligation to disclose any University Intellectual Property promptly and completely to OTT. A disclosure of a summary of the Intellectual Property to OTT shall satisfy this requirement unless additional information is requested by OTT. Employees shall use their best efforts to disclose the names of all Inventors and persons that might have contributed to the making of Intellectual Property as an Inventor, with questions being directed to OTT. Employees and persons having knowledge of facts concerning inventorship issues, problems, or questions (even if they do not know the full implication of such facts) shall have a duty to raise such matters with OTT immediately upon knowledge of the same.

B. Employees who believe that they have created patentable Intellectual Property not owned by the University shall not commercialize such inventions or file (or assist others to file) patent applications without providing at least thirty days notice and a brief written summary of the inventions and the circumstances of the inventions to OTT. Such disclosures shall not be required in situations where an Employee has a reasonable belief that (a) the Intellectual Property is a scholarly work (as defined in University Copyright Policy) or (b) the Intellectual Property is the result of work that is clearly and demonstrably outside both the Employee's field of work and the Employee's University responsibilities.

IV. COMMERCIALIZATION

A. It is the objective of OTT to diligently pursue the best opportunities to transfer UM Intellectual Property consistent with the missions of the University and for the public benefit. In consultation with Inventors, except as provided herein, OTT shall have authority for decisions concerning the route of commercializing or transferring a particular Intellectual Property, as well as the selection and use of outside resources, including outside legal counsel, to assist in commercialization.

B. OTT generally shall have authority for those agreements that are primarily transfer of University-owned (a) patent rights, (b) computer software and other copyrightable materials (such as electronic materials, written materials, and data) with any associated service agreements, and (c) Tangible Materials. Responsibility for patent administration, including the retention of patent counsel, is shared by OTT and the Offices of the Vice President for Research and the General Counsel.

C. From time to time, parties may wish to donate intellectual property rights to the University. Decisions as to whether to accept such donations will be made by the Office of the Vice President for Development, OTT, and any involved University unit. The University generally will accept donations of intellectual property only where the rights are related to areas of technical or research interest for the University. OTT will be responsible for the assessment, protection and commercialization, as OTT deems appropriate, of intellectual property received by the University.

D. Tangible property, including models, devices, designs, computer programs and other software, cell lines, antibodies, recombinant materials, laboratory animals, chemical compounds, compositions, formulations, plant varieties, and records ("Tangible Materials") that comprise University Intellectual Property may be distributed outside of the University consistent with applicable laws, policies, and existing license agreements. OVPR shall set and administer rules regarding transfers of Tangible Materials.

V. REVENUE DISTRIBUTION

A. Revenues generated by the licensing of University Intellectual Property provide a strong incentive for Employee participation in technology licensing and support further investment in research and technology transfer. The University shall share revenues received from commercialization efforts with all involved University Inventors, except as may otherwise be provided. OVPR shall set rules for instances where revenues are for the recovery of production expenses for applicable types of Intellectual Property (e.g., Tangible Materials). This Section V shall apply to new agreements entered into after the date of this Policy revision, though the percentages defined below are unchanged. This Policy does not apply to funds received as gifts or for sponsored research.

B. After recovery of University Expenses, aggregate revenues resulting from royalties and sale of equity interests shall be shared as follows. The division of revenues are subject to change through appropriate University procedures.

Up to \$200,000:
50% to the Inventor(s)
17% to the Inventor's department
18% to the Inventor's school or college
15% to the central University administration

Over \$200,000 (and up to \$2,000,000):
30% to the Inventor(s)
20% to the Inventor's department
25% to the Inventor's school or college
25% to the central University administration

Over \$2,000,000:
30% to the Inventor(s)
35% to the Inventor's school or college
35% to the central University administration

C. OVPR shall set and administer rules for determining the Inventor share of revenues within the parameters outlined in this Policy. This Policy, including the revenue sharing provisions, is subject to change with respect to both current Employees and Employees that have left the University.

D. OVPR shall set and administer rules for cases where an Inventor changes departments, is affiliated with a University institute or center, an Inventor does not have a department or school/college affiliation, or when other unusual circumstances apply. Although the University units described above shall have discretion for distributing the revenue they receive, generally it is expected that revenues will be used for research and educational purposes or for investment in further commercialization activities, such as in the laboratories of Inventors.

E. An allocation from all revenues will fund patent expenses beyond the annual base OTT Patent Budget. Each year, based on projections of license revenues and patent expenses, a patent allocation percentage will be assessed on all revenues as a University expense. Such funds will facilitate investment in new Intellectual Property protection.

F. Consideration for a license may include equity in a business. If equity is liquidated, it shall be treated as revenues and distributed according to this Policy. Equity will be held, liquidated, or directly distributed to Inventors (to the extent permitted by law) at the discretion of the University. Neither OTT nor Inventors will control the timing and terms of the liquidation of such equity received by the University. The Office of the Treasurer of the University will manage the disposal of equity held by the University. The holding of equity by Inventors may be subject to University conflict of interest policies.

G. The Vice President for Research shall have authority to resolve any unusual circumstances and may make exceptions to the distribution rules after consulting the affected parties.

VI. GRANTING RIGHTS BACK TO INVENTORS

A. Upon request by one or more Inventors, the University may at its discretion elect to assign or license its rights in University Intellectual Property back to one or more Inventors when permissible under University policies, related sponsorship agreements, and/or federal law, and where other commercialization routes are not effective or available. Before taking such action, OTT should reasonably attempt to seek unanimous approval of all the Inventors, but OTT need not obtain approval of all Inventors.

B. OTT is not required to market, protect, and license the Intellectual Property where rights have been granted back to Inventors. OTT may require other terms as a condition of such an agreement. The Inventor(s) receiving an assignment or license shall not share in University revenues.

C. Consideration to the University for assignment of ownership of University Intellectual Property shall consist of recovery of any out-of-pocket University expenses, plus 15% of royalties, equity, or other value received by the Inventor(s) through subsequent use, licensing, or further assignment of the Intellectual Property. Assignment may be subject to internal University conflict of interest rules, which may limit the assignee's use at the University of the assigned Intellectual Property.

VII. APPEAL PROCESS

A. If informal procedures and consultation do not provide resolution of a dispute or policy issue involving the matters discussed in this Policy, any member of the University community may resort to a formal procedure. Initially, such person(s) must request in writing a review by the Executive Director of OTT. If this does not result in resolution of the issue, then such person may file a request in writing for

formal dispute resolution or policy interpretation with the Vice President for Research. The University typically shall rely upon outside University patent counsel retained in conjunction with Offices of the Vice President and the General Counsel for determinations of inventorship of patents and patent applications.

B. The Vice President for Research (or designee) shall diligently consult the involved parties and other University administration officials as necessary, and shall communicate the decision, which shall be final, in writing, to the appellant.

VIII. CONFLICT OF INTEREST AND COMMITMENT

A. Agreements entered into by the University and its Employees may be subject to disclosure, review and approval under the University's Conflict of Interest Policy(ies) and the Conflict of Interest policies of the University unit in which the Employee is appointed.

B. Agreements, such as license, option, materials transfer, and assignment agreements, between the University and Employee(s) or between the University and a company in which University Employee(s) hold a financial or management interest may fall under the State of Michigan Conflict of Interest Statute. This Statute may permit such agreements if certain disclosure, approval, and reporting requirements are met.

IX. DEFINITIONS

"Employee" means a person who receives a salary or other consideration from the University for performance of services, part-time or full time. A University employee with less than a full year (e.g., 9-month) appointment shall be considered an "Employee" for acts during a period of appointment. A student that is compensated (e.g., financially through a stipend, tuition, etc., including graduate student research assistants and graduate student instructors) is considered an Employee under this Policy.

"Intellectual Property" means inventions, processes, compositions, life forms, computer software, copyrighted works, mask works, research tools and data, certain defined trade and service marks, Tangible Materials, and legal rights to the same.

"Inventor," with respect to patentable subject matter, means an Employee who has made an inventive contribution to the Intellectual Property as defined under U.S. patent laws, meaning that an Inventor must have contributed to the conception of ideas claimed in a patent.

"Inventor," with respect to software and other copyrightable materials and associated trade and service marks, means an Employee who has participated (a) materially in the conception of the idea of the operation or design thereof (e.g., the operation of software) or (b) extensively in translating an idea into a fixed medium.

"Inventor," with respect to unpatented biologic and chemical materials or laboratory animals (e.g., plasmids, vectors, cell lines, mice, etc.), means an Employee who has taken part (a) in the conception of the idea of the specific material that is to be made and/or (b) significantly in making the material but only where making the material was not a routine or known practice. A person providing material to a second person that uses the material to produce a new material generally will not be considered hereunder to be an Inventor of the new material.

