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6-908 Intellectual Property Policy

Preamble

The Arizona Board of Regents, and the three universities which the Board governs, are all dedicated to teaching, research, and extension of knowledge to the public. The university community recognizes its responsibility to produce and disseminate knowledge. Inherent in this responsibility is the need to encourage the production of creative and scholarly works and the development of new and useful materials, devices, processes, and other intellectual property, some of which may have potential commercial value. These activities contribute to the professional development of the individuals involved, enhance the reputation of the university in which they work, provide additional educational opportunities for participating students, and promote the public welfare.

Intellectual property that has commercial potential may be protected under a variety of mechanisms including copyrights, patents, trade secrets, trademarks, and plant variety protection. The rights and privileges, as well as the incentive, of the creators of intellectual property must be preserved so that their abilities and the abilities of others are encouraged and stimulated. The Board and the three universities must promote the appropriate development and marketing of the Board's intellectual property for the public good.

A. Purpose statement

The Board encourages employees, including faculty, staff, administrators, student employees, visiting faculty and researchers paid by a university governed by the Board (collectively "employees") to undertake and receive recognition for, and share in the revenue resulting from their creative endeavors. Federal and state law provide for Board ownership of intellectual property created by university employees. The Board will use benefits derived from this intellectual property to further the teaching or academic research program of the respective universities in areas of intellectual property.

Each university may patent, register, market, and license intellectual property using its own resources or through one or more intellectual property management organizations. The net income derived by the university will be shared with the creator of the intellectual property in accordance with this policy, and the remainder will be used in support of

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research, investigation, research fellowships, or other activities relevant to the generation of intellectual property at the institution.

The Board encourages university-industry cooperation to enable universities to comply with state policy or legislation encouraging technology transfer, and to support university-industry collaborative agreements which bring additional resources to the universities. This policy provides universities the discretion to retain ownership in intellectual property, or to enter into agreements with industry sponsors to grant exclusive or non-exclusive licenses, or, when appropriate, to assign title to intellectual property.

B. Categories of Intellectual Property

This policy covers all forms of legally recognized "Intellectual Property" which is created at the universities, including, but not limited to the following:

1. Patents (as defined in 35 US Code) which includes but is not limited to: inventions and discoveries (e.g., devices, processes, improvements, and patentable software)
2. Copyrights (as defined in 17 US Code) which includes but is not limited to:
 - a. scholarly works (e.g., textbooks, class notes, research monographs and articles, publications, instructional materials, and research materials);
 - b. creative/artistic works (e.g., music, art, dance, architecture, sculpture, poetry, fiction, and film);
 - c. copyrightable software (commercial as well as academic or research);
 - d. other developing areas, including but not limited to multi-media works, and various other forms of electronic communications, including media used for distance learning; and
 - e. mask works.

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3. Trademarks. (As recognized by federal and state laws)
4. Trade secrets. (As defined by the Uniform Trade Secrets Act; Note, however, that the universities do not maintain trade secrets, unless belonging to and disclosed by, an outside sponsor.)
5. Data. All data are considered to be subject to this policy, as intellectual property is often present in data that are generated during research at the university. Data shall include, but not be limited to:
 - a. lab notes, results of analyses, etc.;
 - b. research notes, research data reports, and research notebooks, etc.

This policy will cover any new forms of Intellectual Property that may be added to the above categories during the time this policy is in effect. By way of illustration, in the event databases are given protection under the copyright laws in the future, databases will be covered under this policy.

C. Intellectual Property Creation and Ownership

Ownership in intellectual property will be determined in accordance with the following categories of creation:

1. Sponsor-Supported Projects

A "Sponsored Project" is research that has a defined scope of work and is funded by one or more non-university entities ("Sponsor(s)") pursuant to a "Sponsored Project Agreement". Initially, federal and state law defining authorship and inventorship will determine ownership (and all associated rights) relevant to intellectual property developed during the course of work on projects funded by Sponsored Project agreements. A university may agree to give the Sponsor an exclusive option for a limited period of time for the right of first negotiation for a license to intellectual property owned by the university arising from a Sponsored Project (hereinafter "University Contract IP"). The option period will not exceed one year from formal disclosure to the Sponsor of the University Contract IP, or

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six months from the date of expiration of the Sponsored Project, whichever is earlier in time. A university may also agree to assign title to the Sponsor in any University Contract IP. The agreement or license will be negotiated on behalf of the university by, or under the authority of, the individual designated by the university to be responsible for the administration of intellectual property (the "IP Official"), or by the intellectual property management organization, if any, representing the university. The IP Official shall use his or her best efforts to consult with the creator(s) and principal investigator(s) during the negotiation process. The IP Official shall provide the creator(s) (including inventor(s)) and principal investigator(s) currently employed by the university with a copy of the negotiated agreement prior to its final execution. In the event the creator(s) or principal investigator(s) do not agree with the negotiated terms, he or she shall have the right to appeal the IP Official's position before the agreement is executed, in accordance with Section I of this policy, following the process and time limits established by each university. The agreement will be executed by the designated university officials subject to review by university counsel.

While the value of intellectual property cannot be predetermined, the Board requires the university to determine a minimum amount of financial support (which will be based on the total cost to the university of development of the applicable intellectual property), on a case-by-case basis, below which an assignment of title to University Contract IP will not be considered. In some cases it may not be possible to calculate the total costs of development until after the intellectual property has been developed and disclosed. If the university wishes to assign the title or to license the University Contract IP, the Sponsored Project Agreement will include the following provisions:

- a. In cases of assignment of title:
 - (1) A provision for monetary support, which must take the form of one of the following three options:
 - (a) The Sponsor will pay an assignment fee of at least fifty percent of the university's total cost of research and development, including all

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contract modifications or extensions. The Sponsor will pay the assignment fee after the University Contract IP has been created, reported to the Sponsor, and at the time the assignment of title is made; or

- (b) The Sponsor will pay all costs of research, including salaries, materials, other direct costs, and the university's fully-burdened overhead.
- (c) The Sponsor is an Arizona State agency and the sponsor will pay all direct costs of research, including salaries and materials, and indirect costs or overhead to the extent permitted by agency rules. In exchange for this reduced overhead reimbursement, the university must (i) receive from the sponsor a significant percentage of any income received by the sponsor from the sale, transfer or licensing of the University Contract IP, and (ii) address with the sponsor during negotiations the opportunity for the university to participate in the management of the University Contract IP.

If possible, the university will calculate such amounts and include them in the Sponsored Project Agreement.

- (2) Due-diligence Milestones negotiated on a case-by-base basis to include a "Reassignment Right" exercisable by the university if the Sponsor has not made a good-faith attempt to meet the negotiated Due-diligence Milestones. "Due-diligence Milestones" shall mean objectively measurable goals which a Sponsor will in good faith pursue in order to bring to the public the benefits of the University Contract IP. Due-diligence Milestones may include, by way of example and without limitation, commercialization of University Contract IP, use of University Contract IP to produce products, and licensing or disclosure of University Contract IP to third parties.

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- (3) “Reassignment Right” will include, but not be limited to, one or more of the following, as negotiated by the parties at the time of negotiating the Due-diligence Milestones:
 - (a) Right of the university to license other parties, either exclusively or non-exclusively;
 - (b) Right of the university to collect a periodic “maintenance fee” from Sponsor until such time as Due-diligence Milestones are met, or Sponsor determines it will not commercialize the intellectual property and voluntarily grants its rights to the University Contract IP back to the university.
- (4) A windfall provision, in which an appropriate payment or payment schedule is specified based on some mutually agreed upon threshold or event. The parameters of this provision, such as the windfall threshold and the amount of any payments, will be determined on a case-by-case basis.

b. In cases of licensing:

- (1) Due-diligence Milestones negotiated on a case-by-case basis, to include, in the case of an exclusive license, “March-in-Rights” if the Sponsor has not made a good-faith attempt to meet the negotiated Due-diligence Milestones. “March-in-Rights” will include, but not be limited to, one or more of the following, as negotiated by the parties at the time of negotiating the Due-diligence Milestones:
 - (a) Right of the university to license other parties, either exclusively or non-exclusively;
 - (b) Right of the university to collect a periodic “maintenance fee” from Sponsor until such time as Due-diligence Milestones are met, or Sponsor determines it will not commercialize

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the intellectual property and voluntarily terminates its license rights to the University Contract IP.

- (2) A provision for reasonable and customary, but unspecified, royalties, since the value of prospective intellectual property cannot be pre-determined.

c In cases of either licensing or assignment of title:

- (1) The right of the university to retain a royalty-free license for its own internal use of the University Contract IP for research and educational purposes, and a provision that the university has the right to use the University Contract IP in any and all subsequent sponsored research at the university. This provision does not require the university to retain a right to sublicense such University Contract IP to third parties.
- (2) The right of the university to make public through publication or presentation any University Contract IP developed under the agreement. The Sponsor may be given up to ninety days to review the manuscript and secure appropriate intellectual property protection (to include the right to remove any Sponsor trade secrets or proprietary information from such manuscripts) prior to actual publication or presentation.
- (3) The obligation of the Sponsor to pay patent costs. If the university is filing the patents, such costs to the Sponsor may be capped at reasonable and customary fee amounts.

2. University-Assigned Projects

The Board owns Intellectual Property developed as a result of employee work performed in the course and scope of employment. "Course and scope of employment" shall include any activity that is listed or described in the employee's job description or is within the employee's field of employment, including research, instruction, or

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other activities assigned to the employee that involve the creation of Intellectual Property. Copyrightable works created by an employee in the Course and Scope of Employment are considered to be works made for hire under U.S. Copyright Law, with ownership vested in the Board. The employee must cooperate fully with the university and will execute all documentation necessary to assign ownership and, if necessary, to secure protection of intellectual property owned by the Board.

3. University-Assisted Projects

The Board owns Intellectual Property developed by university employees through an effort which makes significant use of university resources. The employee must cooperate fully with the university and will execute all documentation necessary to assign ownership and, if necessary, to secure protection of this intellectual property. The Board does not construe the use of office space, library resources, personal workstations, or personal computers as constituting significant use of university resources. Significant use of university resources includes but is not limited to: Use of research funding; use of funding allocated for asynchronous or distance learning programs; use of university-paid time within the employment period; assistance of support staff; use of telecommunication services; use of university central computing resources; use of instructional design or media production services; access to and use of research equipment and facilities, or production facilities.

4. Employee-Excluded Works

The Board releases to the creator all ownership of Intellectual Property in the following categories of work, subject to contractual rights of Sponsors. However, the Board retains a paid-up, non-exclusive license to use this intellectual property for education, research, and public service.

- a. Traditional publications in academia, including scholarly works, textbooks, and course notes
- b. Artistic works (music, art, dance, film, etc.)

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- c. Academic software (not for commercial application)
- d. Student works (the student owns his/her own works, unless the student is a university employee and the work is part of his/her employment, or the student makes significant use of university resources, or the student's work is part of a Sponsor-supported project. Student works are not subject to revenue sharing described above.)
- e. Electronic publications, including on-line courses will be reviewed on a case-by-case basis.

5. Outside Consulting

Consulting for outside organizations is encouraged and may be performed by university employees pursuant to applicable Board and university policies, including policies on consulting, conflict of interest, and this Intellectual Property Policy. If the employee's obligations under this Intellectual Property Policy conflict with the employee's obligations to the consulting entity, the obligations under this Intellectual Property Policy will take precedence.

6. Individual Projects

The Board owns Intellectual Property developed by university employees, unless the creator of the intellectual property can demonstrate that it was not developed as a "Sponsor-Supported Project," a "University-Assigned Project," or a "University-Assisted Project," as defined above.

7. Visiting Faculty, Researchers, and Scientists

The Board owns Intellectual Property created by visiting faculty, researchers, and scientists. However, the IP Official may make exceptions on a case-by-case basis, consistent with this policy.

D. Administrative Responsibilities

1. Responsibilities of the Creator(s) of Intellectual Property

Each employee (including visiting faculty, researchers, and scientists) must disclose any Intellectual Property made by that

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person, or resulting from work carried on under his/her direction, in which the Board or a Sponsor may have an interest.

Intellectual Property created as a result of outside consulting must be disclosed to the university only to the extent that the creation of the intellectual property would fall within the above categories under which the Board claims ownership, or as required by other university or Board policies or state laws.

The creator must disclose Intellectual Property promptly to the head of the department on those forms used by the university, with an information copy to the dean of the college or administrative officer, or as otherwise designated by the IP Official. The department head will, as appropriate, indicate his/her opinion concerning the scientific, technical, and economic merit of the discovery, the likelihood and desirability of obtaining intellectual property protection, and an estimate of the commercial possibilities of this intellectual property, and transmit that statement to the IP Official.

The creator must cooperate fully with the university and will execute all documentation necessary to assign ownership, and, if necessary, to secure protection of intellectual property owned by the Board in those countries designated by the university IP Official.

2. Responsibilities of the IP Official

The IP Official, or his/her designee, will administer all intellectual property disclosed in accordance with the requirements of this policy as follows (not necessarily listed in order of preference):

- a. Released to the creator if the IP Official determines within a reasonable time that the interests of the Board are better served by releasing ownership to the creator under conditions to be specified by the university to include, but not be limited to the following:
 - (1) the Board retains a paid-up, non-exclusive license to use this intellectual property for education, research, and public service;

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- (2) provision for a minimal royalty to university in the event a profit is made from commercialization of the intellectual property; and
 - (3) the faculty creator may not use university facilities to improve upon the invention. If the inventor wishes to continue work on the invention using university managed funds and/or facilities, they will need to do so under an arm's length relationship (i.e., full Board disclosure and license).
- b. Licensed to the creator, at the university's discretion, subject to compliance with other applicable policies and approvals;
 - c. Assigned to one or more intellectual property management organizations for commercial development in accordance with Board policy on technology transfer consistent with all applicable requirements of this policy;
 - d. Licensed or assigned to the research sponsor under which the intellectual property was created if license or assignment is required by the contract with the sponsor and is permitted or is required by law;
 - e. Patented, or otherwise protected, by the university, appropriately marketed, and either licensed or assigned to another organization for commercialization consistent with the Section regarding Sponsor-Supported Projects of this Policy;
 - f. Archived by the university with notification to the creator.
3. Responsibilities of the University

The university vice-president or vice-provost for research, or his/her designee, will require that:

- a. The university or its nominee or licensee will pay all costs involved in obtaining and maintaining domestic and/or foreign protection for intellectual property for which the Board holds an interest.

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- b. The university will establish and administer a fund for the promotion of research and development of intellectual property. The fund will include monies received by the university from intellectual property created by its employees. The IP Official, or a designee, will administer this fund according to policies and procedures established by the university.
- c. An intellectual property committee of faculty and staff will be appointed by the president, or his/her designee, of each university in accordance with that university's policies and procedures. The intellectual property committee will review proposed changes in the Intellectual Property Policy and make its recommendations to the president through the IP Official. The intellectual property committee will also operate as a review committee in accordance with this Policy.

E. Publication Rights/Responsibilities for the Protection of Intellectual Property

Early peer-reviewed publication of results is a major objective of academic research. The Board does not intend for this policy to impede a university employee's ability to publish. Public disclosure of a patentable invention prior to filing for a patent application will, however, preclude the availability of patent protection in most countries. "Public disclosure" includes any non-confidential written or oral disclosure that describes the invention (e.g., at a scientific meeting, in a journal, or even in an informal discussion with outside colleagues). However, limited disclosure of intellectual property internally within the university will not interfere with the ability to protect the intellectual property. University employees should consider delaying public disclosure of intellectual property until the internal evaluation process is completed by the university IP Official. The universities will make every effort to expedite the evaluation process when an employee indicates a compelling need for rapid publication.

The foregoing provision does not apply to a Sponsor's proprietary information disclosed to the university pursuant to a non-disclosure agreement. In the case of Sponsor-supported projects, the Sponsored Project agreement may provide for delay of publication to allow the Sponsor to adequately protect its own intellectual property.

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F. Revenue Sharing

The university will pay the creator a share of the net income received by the university from any intellectual property licensed or assigned in accordance with this policy. "Net income" is defined as gross revenues resulting from any given intellectual property, less a university administrative fee of not to exceed 15%, then less all unreimbursed costs incurred by the university or its nominee in protecting, licensing, and maintaining the intellectual property. The IP Official will determine the percentage to be paid to the creator, ensuring that it is in accordance with the university's revenue sharing policy, subject, however, to the following minimum:

The employee who creates intellectual property as the result of work for which he/she is paid by the university and where he/she uses university facilities and resources will receive a minimum of 50% of the first net \$10,000 received by the university and a minimum of 25% of the net amount received by the university in excess of the first net \$10,000. This royalty revenue sharing is not to be construed as wages or salary compensation to the employee from the university, but rather as separate income derived from commercialization of intellectual property. In addition, an employee's rights which have accrued to this royalty revenue sharing shall continue beyond such employee's employment with the university.

G. Faculty Owned or Affiliated Companies Based on the Board's Intellectual Property

With respect to university employees holding interest in private organizations which are based on intellectual property owned by the Board, the creator of the intellectual property which is of interest to that private organization must comply with administrative responsibilities detailed above.

The IP Official will use his/her best efforts to negotiate an appropriate agreement with the private organization whenever one or more university employees(s):

1. Holds a substantial interest in that organization;

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2. Is a creator of university intellectual property related to the business of the organization; and
3. Continues his or her university employment in an area related to the business of the organization.

A license or assignment or option agreement between the university and any organization in which an employee owns a substantial interest will be individually evaluated and negotiated for each technology or improvement for which the organization wishes to acquire rights from the university. Such agreements shall be subject to customary terms and conditions consistent with the section on Sponsor-Supported Projects of this policy.

If the company in which a university employee holds a substantial interest is given more favorable royalty terms than is usually granted in comparable cases in its license with the university, then the IP Official will determine whether that university employee, who holds a substantial interest in the company licensing university technology developed by that university employee, should receive a personal share of the licensing income received by the university from that company in addition to that employee's equity or other financial interest in that company. If the IP Official determines that the affected employee should not receive his/her personal share of university licensing income, then the share of licensing income that would otherwise be disbursed to the employee personally will be distributed among the other university accounts designated in the university's income distribution policy.

For purposes of this Section, the interest owned by the university employee at the time of Board approval of the employee's relationship with the company will be the interest used in determining whether the employee has a "substantial interest."

H. Conflict of Interest

A grant, contract, or any other form of agreement between a university and any organization containing a provision assigning title or granting an exclusive license is subject to final approval by the Board if a university employee has a substantial or material interest in the contracting organization or any entity engaged in a business relationship with the contracting organization. All agreements are subject to federal and state law and Board policy regarding conflict of interest and technology transfer.

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Approval by the Board for either the creation of any organization or any substantial interest in an organization under applicable Arizona law does not exempt any agreement between that university and the organization from the provisions of this Section.

I. Interpretation, Decisions, Appeals (Disputes)

If the employee does not agree with any interpretation or decision made by the IP Official, the employee may ask the Intellectual Property Committee to review that decision.

The Intellectual Property Committee will review all relevant information submitted to it and will make its recommendation concerning the disputed decision to the president of the university involved, or his/her designee, who will make the final decision.

The final decision of the president or his/her designee is subject to judicial review only pursuant to Arizona Revised Statutes Title 12, Chapter 7, Article 6. Failure to complete the above review procedures will constitute a failure to exhaust administrative remedies.