

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

ITEM FOR INFORMATION

Received by the Regents
June 18, 2009

Subject: Technology Transfer Policy Changes

Background:

Board of Regents' Bylaw 3.10 states that the University owns patents, copyrights, and software derived from research that is supported directly or indirectly with funds administered by the University. The U-M Technology Transfer Policy, last modified effective January 1, 2007, implements Bylaw 3.10 and defines the ownership, commercialization, and distribution of license revenue received from licensing of intellectual property developed by the University of Michigan. Pursuant to the Regental action of December 14, 2006, as long as consistent with Bylaw 3.10, the Policy may be modified from time to time by the Vice President for Research in consultation with the President.

The Office of the Vice President for Research and the Office of Technology Transfer (OTT) have proposed modifications to the current Technology Transfer Policy. The most substantive change modifies ownership provisions for intellectual property created by students. Section II.D. will now provide that student inventions will be owned by the University only if the student is an employee and the invention is made in the context of the employment. This description better reflects the longstanding practice by OTT in determining student ownership by non-employee students. This policy also will promote student entrepreneurship, as students should now feel free to bring their ideas to and from campus without the perceived risk of U-M claiming ownership. OTT communicated this proposal broadly with affected deans and faculty, including those involved in student design courses, to highlight the implications of students collaborating with faculty on ownership of inventions, and received a positive response to this proposed change.

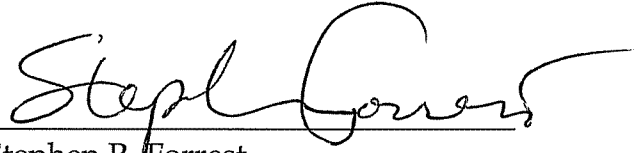
The other changes are:

- a. enhancing the change approval process language in the Policy to better reflect the procedure approved in December 2006 ("...with notice to the Regents")
- b. clarifying the relationship of the Tech Transfer Policy to the "Ownership of Copyright" policy
- c. addressing ownership for specific post-employment situations
- d. reflecting a change in terminology for inventions reported to OTT in order to reduce confusion with the legal usage of the term "disclosure" and other language clarification

These changes to the U-M Technology Transfer Policy were approved by the Vice President for Research with consultation with the President on May 5, 2009

and presented to the Board of Regents as an information item. The proposed revised Policy is attached.

Respectfully submitted,

A handwritten signature in cursive script, reading "Stephen R. Forrest". The signature is written in black ink and is positioned above a horizontal line.

Stephen R. Forrest
Vice President for Research

June 2009

The University of Michigan

Technology Transfer Policy Revision Effective June 1, 2009

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. Substantive changes to this Policy, 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, with notice to the Regents.

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 "Revised Policy on Intellectual Properties (1996)" (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. Rules in this Policy regarding ownership of copyrights are subject to ownership rules directly addressed in the University's copyright ownership policy, entitled "Ownership of Copyrighted Works Created At or In Affiliation With the University of Michigan" or successor Policy that is approved by the Regents.

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. The Vice President for Research may approve exceptions to this rule. 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. 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. The University will own Intellectual Property made by a former University employee if the Intellectual Property was made both (1) with substantial University faculty guidance or University resources and (2) during activity directly relating to and closely following employment. For example, if a graduate student researcher completes a research project and is no longer technically an Employee, and an invention is conceived during the creation of a dissertation or similar activity relating to the research

involving faculty guidance, the University will own the patent rights related to the invention. This rule does not affect a graduate student's ownership of the copyright on the dissertation itself.

F. 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.

G. 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 as they are owned by the University, and will be managed by OTT. University marks, including the University of Michigan Seal, are governed by other University policy.

III. Invention Reporting

A. In order to comply with federal law, to identify and assess University Intellectual Property as an asset of the University, and to facilitate fair treatment of researchers, Employees have an obligation to cooperate reasonably with OTT. Employees have an obligation to report any University Intellectual Property promptly and completely to OTT; a report to OTT of a summary of the Intellectual Property shall satisfy this requirement unless additional information is requested by OTT. [[Click here for information about disclosing to 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. 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 and facilitate resolution 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 January 1, 2007. This Policy does not apply to funds received as gifts or for sponsored research.

B. For agreements entered into after January 1, 2007, after recovery of University Expenses, aggregate revenues resulting from royalties and sale of equity interests shall be shared as follows. The divisions of revenues are subject to change through appropriate University procedures.

	Up to \$200,000:	Over \$200,000 (and up to \$2,000,000):	Over \$2,000,000:
To the Inventor(s)	50%	30%	30%
To the Inventor's department	17%	20%	
To the Inventor's school or college	18%	25%	35%
To the central University administration	15%	25%	35%

For agreements entered into prior to January 1, 2007, click [here](#) to view the applicable policy and revenue distribution rules. As a brief summary, the following apply to such agreements:

For agreements entered into between July 1, 2004 and January 1, 2007:

	Up to \$200,000:	Over \$200,000 (and up to \$2,000,000):	Over \$2,000,000:
To the inventor(s)	50%	30%	30%
To the originating unit(s)	17%	20%	
To the originating school, college, division or other responsibility center(s)	18%	25%	35%
To the central administration	15%	25%	35%

For agreements entered into between July 1, 1996 and July 1, 2004:

	Up to \$200,000:	Over \$200,000 (and up to \$2,000,000):	Over \$2,000,000:
To the inventor(s)	50%	33 1/3%	33 1/3%
To the originating unit(s)	25%	33 1/3%	
To the originating school, college, division or other responsibility center(s)	25%	33 1/3%	66 2/3%

For agreements effective before July 1, 1996:

	Up to \$100,000:	The second \$100,000:	Over \$200,000:
To the inventor(s)	50%	40%	33 1/3%
To the originating unit(s)	25%	30%	33 1/3%
To central administration	25%	30%	33 1/3%

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. Where the assignment is back to fewer than all the Inventors, revenues under subsection VI.C. below shall be shared with the non-assignee Inventors under Section V.

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, citing this Policy. The University typically shall rely upon outside University patent counsel retained in conjunction with Office 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 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.

This policy revision was approved by the Vice-President of Research in consultation with the President and notice to the Regents. To review past technology transfer policies, formerly referred to as Intellectual Property Policies, [click here](#).