University of Kentucky
Office of the Vice President of Research
Policy on Intellectual Property

I. Preamble

Research leading to new knowledge and the transfer of this new knowledge through teaching and service are two of the major responsibilities of the University of Kentucky. Traditionally, these responsibilities have been met through teaching, publication, and demonstration. As early as 1946, the University recognized that some new knowledge or technology had commercial value and warranted protection through the patent process. In 1974, a copyright policy recognized the traditional rights of faculty to the written fruits of their scholarly activity and the University's rights of ownership to other materials produced as a result of direct assignments, e.g., videotapes, films, and programmed instruction materials.

Implicit in these developments was the understanding that the University not only had a responsibility to bring new knowledge into use by the general public, but also that such knowledge or technology sometimes has commercial value and should be treated as a financial asset to be used, conserved, or applied in such a way as to generate an appropriate financial return. Transfer of such information or technology through licensing satisfied both objectives, i.e., dissemination for use and the realization of a return.

Developments in recent years have broadened the scope of information and technology that can have potential commercial value and that, therefore, should be treated as assets subject to University ownership and control. In addition to new machines, compositions of matter, and written materials which traditionally have been the subject of patents and copyrights, new life forms, bioengineered agents, plant varieties, computer software, video courses, etc., are now normal outcomes of University activities. Thus, a broad policy covering all aspects of intellectual property is provided.

II. Objectives of the Policy

A. To facilitate the transfer of knowledge and technology and the utilization of such knowledge and the technology to the general benefit of society.

B. To encourage research, scholarship, and a spirit of inquiry, thereby generating new knowledge.

C. To provide an administrative system to determine the commercial significance of discoveries and new developments and to assist in bringing these into public use.

D. To provide for the equitable disposition of interests in new intellectual property among the developer, author, or inventor (the innovator), the University, and, where applicable, the sponsor.

E. To provide incentives to innovators in the form of personal development, professional recognition, and financial compensation.

F. To safeguard intellectual property so that it may receive adequate and appropriate legal protection against unauthorized use.

III. Coverage and Definition

A. This policy covers all intellectual property conceived, first reduced to practice, written, or otherwise produced by faculty, staff, or students (when in a sponsored project or employment capacity) of the University of Kentucky using University funds, facilities, or other resources.

B. Intellectual property, for the purpose of this policy, is defined as the tangible or intangible results of research, development, teaching, or other intellectual activity. Intellectual property may include the following categories:

1. Inventions, discoveries, or other new developments which are appropriate subjects of patent applications.

2. Written materials, sound recordings, videotapes, films, computer programs, computer-assisted instruction materials, works of art including paintings, sculpture, and musical compositions, and all other material which may be copyrightable.

3. Tangible research property such as biological materials including cell lines, plasmids, hybridomas, monoclonal antibodies, and plant varieties; computer software, data bases, integrated circuit chips, prototype devices and equipment, circuit diagrams, etc.; and analytical procedures, laboratory methods, etc. All such tangible research property may or may not be patentable or copyrightable.

The three categories above are not mutually exclusive; a given article of intellectual property may include aspects of all three categories.

IV. General Policy

All rights to intellectual properties as defined in Section III shall be owned and controlled by the University through its designated agent, the University of Kentucky Research Foundation (UKRF). When a University faculty member, staff member, or student develops or originates an item of intellectual property which, under the terms of this policy is to be owned and controlled by the University, the individual shall report the intellectual property to the Vice President of Research. The innovator shall: cooperate in the execution of legal documents and in the review of literature and prior art; be given opportunity to assist in the further commercial development of the intellectual property as defined in Section VI; and have an interest in and share in any income derived from the commercialization of such property.

A. Traditional products of scholarly activity which have customarily been considered to be the unrestricted property of the author or innovator are excepted from the general policy. Such traditional products include journal articles; textbooks; reviews; works of art including paintings, sculpture, and musical compositions; and course materials such as syllabi, workbooks, and laboratory manuals. The University has not and will not claim any ownership rights to such traditional works and also specifically disclaims any potential rights to do so under the "work for hire" provisions of the U.S. Copyright Act.

B. Works produced in certain University units whose specific mission includes the production of works for instructional, public service, or administrative use and who employ staff and faculty for the purpose of producing such works are deemed to be "works for hire" and, therefore, the property of the University. The Computing Center, the Office of Instructional Resources, and Medical Center Division of Educational and Biomedical Resources are examples of such units. Works produced by such units include instructional films and videotapes, telecourses, drawings, slides, models, computer programs, etc. The University shall own and control all such works produced in such units. Income from the use of such works in University educational activities shall be considered income to the unit, subject to University resource management and budgeting policy. Arrangements with "talent" from other units or from outside the University may include payments based on sales or usage of such works. Such payments are considered to be a part of the costs of production. Commercialization of such works

outside the University must be through assignment to UKRF which shall be responsible for the commercial development as defined in Section VI. However, in recognition of the differences between these units and regular academic departments, different and unique revenue sharing arrangements may be made with the approval of the appropriate chancellor. Nothing in this paragraph shall limit the rights of the employees of such units to works produced or developed outside the scope of their employment and not involving the use of University facilities or other resources.

C. Rights to intellectual property resulting from sponsored projects shall be owned and controlled by the University. In some instances, the provision of substantial funding, background information, product samples, or confidential proprietary data by a sponsor may create a situation in which the sponsor may claim partial or complete ownership of intellectual property that might result from the sponsored project. In such cases, final disposition of the property may be negotiated as a part of the sponsored project agreement.

D. In those cases where the final disposition of the property has not been negotiated as part of a sponsored project agreement, the University will proceed as described in Section VI.

V. Administrative Procedures

A. The legal interests of the University and its staff, faculty, and students in any intellectual property, except traditional scholarly works as described in Section IV.A., shall be determined by the Vice President of Research.

B. The Vice President of Research may create such advisory committees as deemed necessary to receive appropriate input and perspective. The Vice President for Research and Graduate Studies, who is also the Executive Director of the University of Kentucky Research Foundation (UKRF), shall be an ex officio, voting member of the Committee. Additional ad hoc members may be chosen by the committee's Chairperson if additional expertise is needed in the consideration of a particular intellectual property matter.

C. If the Vice President of Research determines that there has been no material use of University funds, facilities, or other resources, the IPC shall release the property to the innovator, and the University shall not exert any further claim to the property.

D. The Vice President of Research may determine that the University has a legal interest in the property but that the chances of successful commercialization are minimal or that the costs of pursuing such commercialization outweigh the income potential. In such cases the VPR shall release the property to the innovator as above.

E. If the VPR determines that the University has a legal interest in the property and judges that there is a reasonable chance for successful commercialization, it shall: (1) inform the innovatorr in writing that the University claims ownership rights to the property; (2) determine and record the rights of the innovator to share in any income in accord with Section VII; and (3) refer the matter to UKRF together with its recommendations as to appropriate courses of action. The innovator shall execute an assignment of ownership rights to UKRF as the designated agent of the University.

F. In some instances the VPR may find that the University has an ownership right in the discovery but that the discovery has not been developed to the point where a decision as to patentability or commercialization is possible. In such cases, the VPR shall place the discovery in a pending status, provide the innovator reasons for taking such action and suggestions as to additional information or data that might be helpful, and request the innovator to report back at some specified interval if and when the discovery is brought to a more advanced stage.

G. Except for Section V.F., if the VPR takes no action within six months after receiving the initial report of the new discovery, right to the discovery shall be deemed to be released to the innovator.

H. Because UKRF is the designated agent for the University in the management of the intellectual property program, it shall receive by assignment ownership rights from the innovator. The Vice President for Research and Graduate Studies will have the responsibility for valuing the intellectual property so that the University's interests in any subsequent negotiations are protected. The process for licensing, selling, or otherwise conveying intellectual property will not involve the use of sealed bids. With close consultation and collaboration with the innovator, UKRF shall determine the appropriate method of protection of the property and, where appropriate, obtain such protection. The Vice President for Research and Graduate Studies will, having independently determined the value of the intellectual property, permit Kentucky Technology, Inc. (KTI) to commercialize this property as described in Section VI. In those cases where KTI does not execute its right of first refusal as described in Section VI, UKRF will license, sell, or otherwise convey the intellectual property. UKRF will distribute any net income from commercialization in accord with this policy and the determinations of the IPC. All costs associated with these actions shall be borne by UKRF, except that such costs shall be offset against future income in accord with Section VII.C.

I. Faculty, staff, or students of the University may request that the University accept, for management and commercialization, intellectual properties which are theirs alone and not originally subject to this policy. Given such a request, the Executive Director of UKRF, with advice of the IPC, shall determine if there is a reasonable expectation that the property can be commercialized successfully. If the University accepts management and commercialization responsibilities for such intellectual property, that intellectual property shall become subject to, and shall be treated in accord with, all provisions of this policy.

J. Intellectual property referred to or offered to the University by third parties ("off the street") shall be treated as any other gift offer and shall be channeled through the University Office of Development. If accepted by that office, the property shall be assigned to UKRF for management in accord with appropriate parts of this policy and the terms of the gift agreement.

VI. Commercialization

A. For purposes of protection and commercialization of intellectual property assigned to UKRF on behalf of the University, patent or copyright coverage may be sought, or the property may be treated as proprietary information, technical know-how, or trade secret.

B. In seeking and developing commercialization of intellectual property, UKRF shall be guided by the following principles:

1. A primary objective and responsibility of the University shall be to assure that the products of its intellectual activity are brought into the widest possible use for the general benefit of society.

2. Intellectual property should be treated as an asset and an appropriate return should be sought. Responsibility for this provision of the policy rests with the Vice President for Research and Graduate Studies.

3. Active innovator participation in all commercialization efforts shall be vigorously sought.

C. UKRF will provide Kentucky Technology, Inc. (KTI) with the exclusive right of first refusal on intellectual property disclosures to UKRF in exchange for a license fee to be paid by KTI to UKRF. As a guideline, the Executive Director of UKRF will negotiate an agreement with KTI in which KTI will retain 30% of all

gross proceeds from licensing, equity investment, or other efforts in order to build a fund for the commercialization of other intellectual property. KTI will transfer the remaining 70% to UKRF as a license fee. KTI will have six months in which to exercise its option. In the event that KTI does not execute its option on any intellectual property, UKRF will seek a variety of arrangements including licenses, both nonexclusive and exclusive; outright assignment or sale of rights; and partnerships, joint ventures, or other equity participation modes. The selection of particular arrangements will depend on the circumstances of each individual case.

D. UKRF will retain 100% ownership of KTI and will purchase additional KTI stock, as appropriate, to further the endeavors of KTI to commercialize University intellectual property.

E. KTI will be the sole lessee of space in the Advanced Science and Technology Commercialization Center. The cost of such space will reflect reimbursement of University costs, the rates charged by comparable high technology commercialization centers, and the potential return to the University on the commercialization of its intellectual property.

F. In some situations it may be in the best interests of the University, the general public, and the innovator to enter into commercialization arrangements with entities wholly or partially owned or controlled by the faculty, staff, or students who originated the property. Due to the potential of such arrangements for contributing to the economic development of the state and local areas, such arrangements may be considered and accepted, provided these are not specifically prohibited by law and that adequate provisions, including full disclosure of interests, are made to avoid or otherwise protect against conflict of interest on the part of those involved. Such negotiations for the creation of new commercial entities arising directly from the University's intellectual property or arising from a potential collaboration between the University's faculty, staff, or students and some outside entity will be handled by KTI in those cases where KTI has executed its right of first refusal or will be handled by UKRF in those cases where KTI has declined its option.

G. Commercialization of intellectual property by UKRF is a process which may take a considerable amount of time. This process may involve discussions and negotiations over months or sometimes years and, based on national data, more often fails than succeeds. Timing, market conditions, and many other factors enter into the process. Quick success is rare. However, to protect the innovator, if no commercialization has occurred within two years after the property has been assigned to the University through UKRF, assuming that KTI has not executed its right of first refusal, the innovator may request that all rights be returned.

H. Commercialization of intellectual property by KTI is a process which may take a considerable amount of time. This process may involve discussions and negotiations over months or sometimes years and, based on national data, more often fails than succeeds. Timing, market conditions, and many other factors enter into the process. The Executive Director of UKRF shall require KTI to explain what efforts have been made and what additional efforts are planned. If the Executive Director of UKRF determines that there is little chance of successful commercialization and if there are no legal obstacles to proceeding otherwise, UKRF shall return all rights to the innovator, and the University shall no longer claim any rights to the property. If, on the other hand, the Executive Director determines that KTI has undertaken reasonable efforts to commercialize and that further KTI efforts offer reasonable chances of success, the Executive Director shall deny the innovator 's request. Such denials will be accompanied by a report summarizing the factors considered by the Executive Director in arriving at the decision. If the innovator remains unsatisfied with the commercialization efforts, this process may be repeated at two-year intervals.

VII. Royalty Income Sharing Policy

A. Net income is defined as gross royalties, license fees, or other such payments received by UKRF on behalf of the innovator and the University less necessary deductible costs, e.g., mailing or courier costs, interferences, licensing costs, patent enforcement, necessary travel, auditing fees, or sponsor shares. The phrase "gross royalties, license fees, or other such payments" means agreed upon payments specified in a license or other commercialization agreement usually expressed as a percentage of sales or a fixed dollar amount per unit manufactured in return for the right to use, copy, reproduced, make, or sell an item of intellectual property or product based on such property. UKRF shall reserve the right to suspend distribution of income where there is reason to believe that substantial deductible costs will be incurred in the future. The innovator shall be informed of such decisions. An annual detailed accounting of income and costs shall be made available to the innovator by UKRF.

B. Except as otherwise provided through supplementation under Section VII.C., net calendar year royalty or license income as defined in Section VII.A. derived from commercialization of intellectual property covered by this policy shall be shared as follows: 40% to the innovator, 20% to the innovator's department or immediate administrative unit, 20% to the dean of the innovator 's college, and 20% to UKRF.

C. In certain University units, because of conditions of employment and the nature of work assignments, and the fact that units often assume continuing responsibilities for maintenance and periodic revision of the property, an alternate distribution of net income to employees may be appropriate. Units wherein these situations may occur should propose appropriate modifications to the distribution scale in Section VII.B. Upon approval by the President, such modifications shall be added to this policy as unit supplements. Such modifications may not increase the combined shares of the innovator and the department as specified in Section VII.B., except in unusual and very specific circumstances.

D. The department's share shall be retained in a separate account in UKRF and shall be available for expenditure by the department in accord with a budget to be approved by the Vice President for Research and Graduate Studies. Such funds may be allowed to build across fiscal years to reach amounts necessary for major purchases or other nonrecurring purposes. Such funds may be invested, and the income shall be credited to the account in accord with existing policy regarding investment of restricted funds.

E. The innovator 's rights to share in net income as stated above (but not including the department's share) shall remain with the individual or pass to the individual's heirs and assigns for so long as net income is derived from the property.

F. Where more than one individual is considered to be the innovator, such persons will determine among themselves the individual share each will receive. In the event that they cannot reach such agreement, the determination shall be made by the VPR after giving each individual an opportunity to present a personal position. Such determination by the VPR shall be final.

G. Innovators are encouraged to consider making a gift of all or a part of their income shares to support University research activities. Upon request by an innovator, UKRF will retain all or a part of the innovator's share in a separate account within UKRF for expenditure in accord with the innovator's wishes. The innovator may restrict such gifts to any particular program or unit of the University including the innovator's own research program. Such requests may be limited in duration to a specific time period or to some specific future event, e.g., the innovator's retirement or resignation from the University, and may be cancelled or modified by the innovator at any time.

H. This policy shall not change income-sharing agreements entered into prior to the adoption of this policy.

VIII. Sharing of Research Materials

There is a long tradition in some fields of sharing research materials such as reagents, cell lines, and purification media. The University encourages this cooperation among research scientists. However, recent conflicts over such issues as commercialization rights and personal and product liabilities suggest that the terms of such sharing be spelled out in a written agreement among the parties. A suggested form letter agreement is included in this policy and procedures document as Appendix A. Also, when significant costs to the University are involved in producing the material, provision for recovery of those costs not covered by sponsor support shall be considered in making a sharing agreement. A copy of any such agreement shall be maintained by the faculty member and in the Office of the Vice President for Research and Graduate Studies.

IX. Consulting Agreements

A. Any faculty or staff member engaged in consulting work or in business is responsible for ensuring that clauses in the individual's agreements are not in conflict with this policy nor with the University's commitments; and that the institution's rights and the individual's obligations to the University are in no way abrogated or limited by the terms of such agreements. The Executive Director of UKRF or the University Legal Counsel's Office can provide assistance in this regard.

B. Faculty and staff members shall make clear to those with whom they make such agreements their obligations to the University and shall ensure that other parties to the agreement are provided with a current copy of this policy.

X. Basis of the University's Equity In Intellectual Property

The policies set forth herein constitutes an understanding which is binding on University faculty, staff, and students as a condition of their participation in University research, teaching, and service programs and for their use of University funds, space, or facilities.

Appendix A

Dear_____:

This is to acknowledge your request that certain research materials developed in the laboratory of _____ at the University of Kentucky be transported to your laboratory at _____ for scientific research purposes. I also acknowledge the implied representation that you and your associates are cognizant of any potential hazards which may exist in working with these materials. The materials concerned, which are owned by the University of Kentucky, are

_____
_____.

I will be pleased to permit use of these materials by you and within your laboratory for our cooperative scientific research. However, I am requesting your agreement that the materials will be used only for our cooperative work, that you will bear all risk to you or any others resulting from your use, and that you will not pass on these materials, their progeny or derivatives, to any other party or use them for commercial purposes without the express written consent of the University of Kentucky. In addition, any public or written announcement of this work or its results must credit the University of Kentucky as the source of these materials, and you must keep us informed of results obtained using any of these materials, especially if publication in the open literature is contemplated, prior to publication and even if no publication results. You understand that no other right or license to these materials, their progeny or derivatives, is granted or implied as a result of our transmission of these materials to you.

These materials are to be used with caution and prudence in any experimental work, since all of their characteristics are not known.

If you agree to accept these materials under the above conditions, please sign the enclosed duplicate of this letter and return it to me. The materials requested will be sent to you upon our receipt of the signed duplicate letter.

Sincerely,

(Signature of Researcher)

(Signature of Researcher's Department Chairperson)

I accept all conditions and stipulations noted above.

_____
(printed name)

_____
(signature)

(date)