

PART TWO, CHAPTER XII

INTELLECTUAL PROPERTY

Sec. 1. Philosophy and Objectives

It is the objective of the Board to provide an intellectual property policy that will encourage the development of inventions and other intellectual creations for the best interest of the public, the creator, and the research sponsor, if any, and that will permit the timely protection and disclosure of such intellectual property whether by development and commercialization after securing available protection for the creation, by publication, or both. The policy is further intended to protect the respective interests of all concerned by ensuring that the benefits of such property accrue to the public, to the inventor, to the System, and to sponsors of specific research in varying degrees of protection, monetary return and recognition, as circumstances justify or require. Each component institution may develop in its Handbook of Operating Procedures additional policies and rules covering the subject matter of this Section not inconsistent with this Section or other policies or procedures adopted by the Board.

Sec. 2. General Policy

2.1 Individuals Subject to Policy

The intellectual property policy shall apply to all persons employed by the U. T. System and the component institutions of the System (including, but not limited to, full and part-time faculty and staff and visiting faculty members and researchers), to anyone using System facilities, to undergraduates, to candidates for master's and doctoral degrees, and to postdoctoral and predoctoral fellows.

2.2 Types of Intellectual Property Included

Except as set forth in Subsections 2.3, 2.4, and 4.1 of this Chapter, this policy shall apply to and the Board may assert ownership in intellectual property of all types (including, but not limited to, any invention, discovery, trade secret, technology, scientific or technological development, research data and computer software) regardless of whether subject to protection under patent, trademark, copyright, or other laws.

2.3 Interest of the Board

The Board shall assert its interest in scholarly or educational materials, artworks, musical compositions, and dramatic and nondramatic literary

works related to the author's academic or professional field, regardless of the medium of expression, as follows:

2.31 Students, Professionals, Faculty and Researcher Authors

The Board shall not assert ownership of works covered by this Subsection and authored by students, professionals, faculty, and nonfaculty researchers. The Board encourages these authors to manage their copyrights carefully. The Board retains certain rights in these works as set forth in the Policy and Guidelines for Management and Marketing of Copyrighted Works.

2.32 Software

The Board normally shall assert ownership in software as an invention; however, original software that is content covered by Subdivision 2.31 of this Chapter, or that is integral to the presentation of such content, shall be owned in accordance with Subdivision 2.31.

2.4 Works for Hire

Notwithstanding the provisions of Subsection 2.3 of this Chapter, the Board shall have sole ownership of all intellectual property created by an employee who was hired specifically or required to produce it or commissioned by the System or a component institution of the System. Except as may be provided otherwise in a written agreement approved by the president of the component institution, the provisions of Subdivision 4.25 of this Chapter relating to division of royalties shall not apply to intellectual property owned solely by the Board pursuant to this Subsection 2.4.

2.5 Role of Inventor or Author

Any person who as a result of his or her activities creates intellectual property that is subject to this policy, other than on government or other sponsored research projects where the grant agreements provide otherwise, should have a major role in the ultimate determination of how it is to be published; however, the component president will decide in his or her sole discretion whether to develop and commercialize an invention after securing available protection for the creation, if necessary.

2.6 Support for Patentable Inventions and Intellectual Property

The System, with the cooperation of the component institution, will provide review and management services for patentable inventions as well as other intellectual property either by its own staff, through a related foundation, or by other means.

2.7 Service of Public Interest

It is a basic policy of the System that intellectual property be developed primarily to serve the public interest. This objective usually will require development and commercialization by exclusive licensing, but the public interest may best be promoted by the granting of nonexclusive licenses. These determinations will be recommended and made in accordance with the administrative procedures hereinafter set out.

2.8 Use of Facilities and Resources

Neither the facilities nor the resources of the System or its component institutions may be used (i) to create, develop, or commercialize intellectual properties unrelated to an individual's employment responsibilities (See Subsection 4.1 of this Chapter); or (ii) to further develop or commercialize intellectual properties that have been released to an inventor (See Subdivision 4.22 of this Chapter) except as the component institution's president may approve where the System retains an interest under the terms of the release.

2.9 Creation of Data

An employee whose research activities result in the creation of data that is owned by the Board pursuant hereto shall have a nonexclusive license to use such data for nonprofit educational, research, and scholarly purposes within the scope of the employee's employment, subject to adherence to other provisions of this policy.

Sec. 3. Intellectual Property Advisory Committees and Office of General Counsel

3.1 Intellectual Property Advisory Committees

To help administer the intellectual property policy at each component institution and to make recommendations to presidents for further referral to the System Administration and the Board (in those cases when action by the System Administration and/or the Board is required), departmental or institutional intellectual property advisory committees may be established by the component institutions.

3.2 Office of General Counsel

The Office of General Counsel will assist component institutions with all legal matters relating to intellectual property. Among other responsibilities, the Office of General Counsel will help component institutions secure protection for intellectual property when appropriate and will police infringements; maintain central databases and files of patent applications, issued patents, copyrights, licenses, and agreements; coordinate with component institutions in negotiating and preparing license and other

agreements; and review and approve as to form all agreements relating to intellectual property.

Sec. 4. Property Rights and Obligations

4.1 Exclusive Property of the Creator and the System

Intellectual property unrelated to the individual's employment responsibility that is developed on an individual's own time and without System support or use of System facilities is the exclusive property of the creator and the System has no interest in any such property and no claim to any profits resulting therefrom. Should the creator choose to offer the creation to the System, the component president may support and finance a patent application or other available protective measures and manage the development and commercialization of the property under terms and conditions as may be agreeable to the parties. If the creator makes the offer after obtaining a patent or other protection, the component president may reimburse the creator for expenses in obtaining such protection.

4.2 Property Related to Employment or Resulting from State Support Subject to Ownership by the Board

Intellectual property either related to the individual's employment responsibility, or resulting from activities performed on System time, or with support by State funds, or from using System facilities is subject to ownership by the Board.

4.21 Before intellectual property subject to ownership by the Board is disclosed to any party outside the System, to the public generally, or for commercial purposes, and before publishing same, the creator shall submit a reasonably complete and detailed disclosure of such intellectual property to the president of the creator's institution for determination of the System's interest. A component institution may establish guidelines in its Handbook of Operating Procedures for submitting different categories of intellectual property to its departmental or institutional intellectual property advisory committee and procedures to be followed by the committee in reviewing and evaluating such submissions. Such guidelines and procedures shall be consistent with this policy and shall be subject to approval as a part of the institutional Handbook. In those instances, however, where delay would jeopardize obtaining the appropriate protection for the property, the creator may request the approval of the component president to file a patent application or take other steps to obtain available protection prior to the administrative review provided in the

- following two Subdivisions. If the request is granted, the creator may proceed with the filing of a patent application or other available protective measures pending the determination of the System's interest; provided, however, that the creator shall be reimbursed for reasonable expenses in filing the patent application or taking other steps to obtain protection as the parties may negotiate if the decision of the System is to assert and exploit its interests. Either the Chairman of the departmental or institutional intellectual property advisory committee or the component president shall notify the Office of General Counsel of any such application.
- 4.22 If the component president elects not to assert and exploit System's interest, the Office of General Counsel and the creator shall be notified within 180 days of the date of a complete submission that the invention will be released to the creator after which he or she will be free to obtain and exploit a patent or other intellectual property protection in his or her own right and the System shall not have any further rights, obligations, or duties with respect thereto except that, in appropriate circumstances the component president may elect to impose certain limitations or obligations or retain income rights.
- 4.23 The component president may elect to release an invention to its creator at any time after asserting System's interest, with notice to the Office of General Counsel; however, such a release shall include provisions for the recovery of patent and licensing expenses, if any, the retention of income rights and other appropriate limits or obligations, as set forth above for creations in which the System's rights are never asserted.
- 4.24 With respect to intellectual property in which the System asserts an interest, the component president shall decide how, when, and where the intellectual property is to be protected and may proceed either through its own efforts or those of an appropriate private firm or attorney to obtain protection and manage the intellectual property. Outside counsel services may be contracted with the consent of the Vice Chancellor and General Counsel and, if required by law, the approval of the Attorney General. It shall be mandatory for all employees, academic and nonacademic, to assign the rights to intellectual property and patents to the Board when such creations fall within Subsection 4.2 of this Chapter.
- 4.25 In those instances where the System licenses rights in intellectual property to third parties, the costs of licensing, including the costs

to operate and support a technology transfer office and departmental or institutional intellectual property advisory committees, and the costs of obtaining a patent or other protection for the property on behalf of the Board shall first be recaptured from any royalties or other license payments received by the System, and the remainder of such income (including but not limited to license fees, prepaid royalties, minimum royalties, running royalties, milestone payments, and sublicense payments) shall be divided as follows:

50% to creator

50% to System.

With the prior approval of the Board as an agenda item, a component institution may include provisions in its Handbook of Operating Procedures to adjust the allocation of royalties set forth herein, but in no event shall the creator receive more than 50% or less than 25% of such proceeds. The division of royalties from patents or other intellectual property managed by an intellectual property management concern will be controlled by the terms of the System's agreement with such concern, as approved by the Board. Any other deviation from this rule requires the prior approval of the Board.

4.3 Property Resulting from Sponsored Research Subject to Ownership by the Board

Intellectual property resulting from research supported by a grant or contract with the federal government, or an agency thereof, with a nonprofit or for profit nongovernmental entity, or by a private gift or grant to the System shall be subject to ownership by the Board.

4.31 Administrative approval of application requests to, and acceptance of grants or contracts with, the federal government or any agency thereof, with a nonprofit or for profit nongovernmental entity, or a private donor that contain provisions that are inconsistent with this policy, or other policies and guidelines adopted by the Board from time to time imply a decision that the value to the System of receiving the grant or performing the contract outweighs the impact of any nonconforming provisions of the grant or contract on the intellectual property policies and guidelines of the System.

4.32 The intellectual property policies and guidelines of the System are subject to, and thus amended and superseded by, the specific terms pertaining to intellectual property rights included in federal grants and contracts, or grants and contracts with nonprofit and

- for profit nongovernmental entities or private donors, to the extent of any conflict.
- 4.33 In those instances where it is possible to negotiate System-wide intellectual property agreements with the federal agencies or nonprofit and for profit nongovernmental entities or private donors and thereby obtain more favorable treatment for the creator and the System, every effort will be made to do so with the cooperation and concurrence of the Office of General Counsel after consultation with the institutional president.
- 4.34 Employees of the System whose intellectual property creations result from a grant or contract with the federal government, or any agency thereof, with a nonprofit or for profit nongovernmental entity, or by private gift to the System shall make such assignment of such creations as is necessary in each case in order that the System may discharge its obligation, expressed or implied, under the particular agreement.
- 4.35 In the event that two or more persons are entitled to share royalty income pursuant to Subdivision 4.25 of this Chapter (or equity pursuant to Section 5 of this Chapter) and such persons cannot agree on an appropriate sharing arrangement as evidenced by a clear and unequivocal written agreement transmitted to the departmental or institutional intellectual property advisory committee, or if inventors are located at two or more component institutions, to the Office of General Counsel, that portion of the royalty income to which the creators are entitled under this policy will be distributed to such persons in such portions as the component president or, in the event that the creators are located at two or more component institutions within the System, the Chancellor may deem appropriate under the circumstances and such decision shall be binding on the creators.
- 4.36 A decision by the System to seek patent or other available protection for intellectual property covered by Subsection 4.2 of this Chapter shall not obligate System to pursue such protection in all national jurisdictions. The System's decision relating to the geographical scope and duration of such protection shall be final.

Sec. 5. Equity Interests

5.1 Agreement with Business Entities

In agreements with business entities relating to rights in intellectual property owned by the Board, the System may receive equity interests as partial or total compensation for the rights conveyed. In any such instance, the

component institution where the intellectual property was created may elect, at its option, to share an equity interest, dividend income, or the proceeds of the sale of an equity interest with the creator(s) in the same manner as royalties are shared pursuant to Subdivision 4.25 of this Chapter. The System may also receive equity interests in a business entity as consideration for the component institution's role as a founder or cofounder of the business entity, and shall not be obligated to share such equity interests with the creator(s).

5.2 Approval of Individual Holding Equity

Employees of the System who conceive, create, discover, invent, or develop intellectual property may hold an equity interest in a business entity that has an agreement with the System relating to the research, development, licensing, or exploitation of that intellectual property only so long as the component institution where the intellectual property was developed is in full compliance with the requirements to have, implement, and enforce for that employee an effective conflict of interest management plan approved by the component institution's president as set forth in the "Procedure for Obtaining Approval of Plan to Manage Conflicts of Interest." In any case where actual conflict of interest is found, the employee may be required to divest the equity interest or terminate affected research.

5.3 Negotiations Related to Equity

The System may negotiate, but shall not be obligated to negotiate, an equity interest on behalf of any employee as a part of an agreement between the System and a business entity relating to intellectual property conceived, created, discovered, invented, or developed by the employee and owned by the Board.

5.4 Right to Income from Interests Held by the Board

Except as provided in Subsection 5.1 of this Chapter, dividend income and income from the sale or disposition of equity interests held by the Board pursuant to agreements relating to intellectual property shall belong to the System and shall be distributed in accordance with the provisions of Section 9 of this Chapter.

5.5 Right to Income from Interests Held by the Employee

Dividend income and income from the sale or disposition of an equity interest held by a System employee pursuant to an agreement between the System and a business entity relating to rights in intellectual property conceived, created, discovered, invented, or developed by such employee shall belong to the employee.

Sec. 6. Business Participation

6.1 Approval to Serve as Officer or Director

Any System employee who conceives, creates, discovers, invents or develops intellectual property may serve as a member of the board of directors or other governing board or as an officer or an employee (other than as a consultant) of a business entity that has an agreement with the System relating to the research, development, licensing, or exploitation of that intellectual property only so long as the component institution where the intellectual property was developed is in full compliance with the requirements to have, implement, and enforce for that employee an effective conflict of interest management plan approved by the component institution's president as set forth in the "Procedure for Obtaining Approval of Plan to Manage Conflicts of Interest." In any case where actual conflict of interest is found, the employee may be required to terminate the business relationship or the relevant research.

6.2 Request for Individual to Serve as Officer or Director

When requested and authorized by the Board, an employee may serve on behalf of the Board as a member of the board of directors or other governing board of a business entity that has an agreement with the System relating to the research, development, licensing, or exploitation of intellectual property, but may not accept any consideration offered for service on such board.

Sec. 7. Annual Report of Equity Interest and Service as Officer or Director

Any employee covered by Subsections 5.2, 6.1, or 6.2 of this Chapter shall report in writing to the president of the component institution, or to such other person as may be designated by the president, the name of any business entity in which the person has an interest or for which the person serves as a director, officer, or employee and shall be responsible for submitting a revised written report upon any change in the interest or position held by such person in such business entity. These reports shall be forwarded to the Vice Chancellor and General Counsel by October 1 of each year for filing with the Board as required by [Texas Education Code Section 51.912](#) and inclusion in the annual financial report sent to the State officials listed in [Texas Education Code Section 51.005](#).

Sec. 8. Approval of and Execution of Legal Documents Relating to Rights in Intellectual Property

8.1 Legal Review

Agreements that grant an interest in Board intellectual property may be executed and delivered in accordance with the provisions of the Regents' Rules and Regulations, Part Two, Chapter XI, following any required review by the Office of General Counsel.

8.2 Agreement at Variance with Policy

Any document altering substantially the basic intellectual property policy of the System as set out in the preceding Sections and other policies and guidelines that may be adopted by the Board may be executed and delivered as set forth in Subsection 8.1 of this Chapter if, in the judgment of the component president, the benefits from the level of funding for proposed research and/or other consideration from a sponsor, licensee, or other party outweigh any potential disadvantage that may result from the policy deviation.

8.3 Authority to Execute Documents

The Chancellor, the appropriate Executive Vice Chancellor, or the Vice Chancellor and General Counsel may execute, on behalf of the Board, legal documents relating to the Board's rights in intellectual property, including, but not limited to, declarations, affidavits, powers of attorney, disclaimers, and other such documents relating to patent applications and patents; applications, declarations, affidavits, affidavits of use, powers of attorney, and other such documents relating to trademarks; corporate documents related to the formation of new companies; and other documents approved pursuant to Subsections 8.1 or 8.2 of this Chapter. The component president or designee may execute, on behalf of the Board, institutional applications for registration or recordation of transfers of ownership and other such documents relating to copyrights.

Sec. 9. Income from Intellectual Property

9.1 Use of Income

The portion of the net income the System retains from royalties and any other intellectual property-related income shall be used by the component institutions where the income-producing creation originated for research and other purposes approved by the Board in accordance with standard budgetary policies. At the option of a component institution, such income may be accumulated in an endowment fund with the income to be distributed to the component institution for such purposes as may be approved by the Board.

9.2 Royalties Payable to Employee

With the prior written approval of the president of the component institution, payments payable to a faculty member pursuant to Subdivision 4.25 of this Chapter may be assigned to the component institution by the faculty member and designated for use in research to be conducted by such faculty member.

Sec. 10. Implementation of Intellectual Property Policy

The Office of General Counsel shall prepare and distribute to the component institutions such model agreements and recommended procedures as may be considered appropriate for the implementation of the provisions of intellectual property policies and guidelines adopted by the Board.

Sec. 11. Construction of Documents

Unless otherwise required by law or the Regents' Rules and Regulations, each intellectual property agreement approved hereunder shall be construed in accordance with the intellectual property policies and guidelines in existence as of its approval date.