



BOARD OF REGENTS POLICY: ***Commercialization of Intellectual Property Rights***

SECTION I. SCOPE.

This policy governs patents and the ownership, commercialization, and dissemination of intellectual property rights in technology created at the University of Minnesota (University).

SECTION II. EXCLUSIONS.

Subd. 1. Copyright.

With the exception of the commercialization of intellectual property rights in software owned by the University, this policy shall not apply to the ownership or use of copyrighted works that are governed by other Board of Regents (Board) or administrative policies.

Subd. 2. Trademarks.

With the exception of intellectual property rights in University trademarks that identify University-owned plant varieties or that are commercialized in conjunction with other technology covered by this policy, this policy shall not apply to the use of University-owned or licensed names, trademarks, or service marks.

Subd. 3. Equity Interests.

This policy shall not apply (a) to the University's acquisition of equity securities in a publicly held company or appointment of a voting member to the governing body of a publicly held company or (b) to the acquisition of equity securities of a publicly held company by a University employee.

Subd. 4. Student-Created Technology.

This policy shall not apply to technology created or reduced to practice by University students to fulfill a University course requirement unless (i) the development of the technology was funded, in whole or in part, by an external sponsor; (ii) the technology was an improvement of an invention in which the University holds the intellectual property rights; (iii) a University faculty member or other University employee was a co-inventor of the technology; or (iv) substantial University resources were used to develop or reduce the technology to practice. This policy does not prohibit the University from conditioning participation in a University course or other University-sponsored activity on an individual's assigning to or licensing to the University the rights in technology created or reduced to practice in the course or activity.

SECTION III. DEFINITIONS.

Subd. 1. Inventor.

Inventor shall mean a University employee, student, or postdoctoral or other fellow who invents technology.

Subd. 2. Technology.

Technology shall mean the following items and their related intellectual property rights:

- (a) a discovery or invention, patentable or not;
- (b) software owned by the University; and
- (c) trademarks owned by the University that identify University-owned or University-licensed plant varieties or that are commercialized in conjunction with other technology covered by this policy.

Subd. 3. University Official.

University official shall mean a person defined as a University official in Board of Regents Policy: *Institutional Conflict of Interest* and any person covered by administrative policies or procedures implementing that policy.

Subd. 4. Controlling Equity Interest.

Controlling equity interest shall mean the University's ownership of equity securities of a licensee sufficient to grant the University the power to direct the licensee's management. The University shall be considered to have a controlling equity interest in a licensee under this policy if:

- (a) the University owns a majority of the voting equity interest in the licensee; or
- (b) the University has the power to appoint a majority of the voting members of the governing body of the licensee.

Subd. 5. Licensee.

Licensee shall mean a for-profit, privately held company to which the University licenses or assigns intellectual property rights in University-owned technology.

Subd. 6. Net Income.

Net income shall mean the gross monetary payments the University receives in consideration for granting rights in the technology less (a) the University's out-of-pocket expenditures (including legal fees) directly attributable to protecting, developing, and transferring that technology and (b) a fifteen percent administrative fee of the gross monetary payments to help defray the costs associated with operating the Office of Technology Commercialization. Net income includes the net cash proceeds received from the sale of securities acquired under Section V, Subd. 6 of this policy. Net income does not include the net cash proceeds received from the sale of securities acquired under Section VII, Subd. 5 of this policy. Fees, charges, and other monetary payments made to the University to compensate it for administering intellectual property agreements or seeking and maintaining intellectual property protection for technology shall not be considered monetary payments under this policy.

SECTION IV. GUIDING PRINCIPLES.

The following principles shall guide the University in commercializing technology:

- (a) The primary mission of University research is the generation and dissemination of knowledge, and academic freedom requires that faculty, staff, and students be free to pursue areas of research and study without regard to the potential for the creation of inventions.

- (b) The development and dissemination of new knowledge, technology, or scientific procedures resulting in innovative products, practices, and ideas is a valued supplement to scholarly publications.
- (c) University commercialization activities shall not inhibit the ability of University researchers to pursue research of their choosing, to publish results of their work in a timely manner, and otherwise to exercise their rights of academic freedom.
- (d) Licensing University-owned technology to private companies promotes the University's interest in successful commercial development of University-owned intellectual property. In some circumstances, a non-commercial method of distribution, such as open source sharing of technology or licensing for humanitarian needs, may be the preferred method of providing public access to, and use of, University discoveries.
- (e) The University may own a controlling equity interest and assert control over the direction and management of a licensee only when doing so (1) enhances the potential for the licensee to successfully develop and make available to the public useful products and services and (2) increases the potential value of the University's investment.

SECTION V. OWNERSHIP OF TECHNOLOGY.

Subd. 1. Ownership.

The University shall be the sole owner of all rights, titles, and interests (including intellectual property rights) in and to technology:

- (a) created by University employees in the course of their employment;
- (b) created by individuals, including employees, students, or post-doctoral or other fellows, using substantial University resources.

Subd. 2. Assignment of Intellectual Property Rights.

Inventors assign to the University all rights, titles, and interests, if any, in and to technology owned by the University.

Subd. 3. Ownership Under Third Party Agreements.

Ownership of and rights in technology are subject to the terms of written agreements between the University and third parties under which the University, solely or in collaboration, conducts research or other activities. Under these agreements, the University may claim, disclaim, or otherwise grant or accept rights in technology as appropriate and desirable.

Subd. 4. Waiver of University Rights.

Consistent with administrative policies and procedures, the president or delegate is authorized to waive or otherwise assign to an inventor all or part of the University's rights, titles, or interests in or to a technology created by the inventor.

Subd. 5. Rights to Publish.

At the University's request, inventors shall delay the publication or public disclosure of any descriptions of technology for a brief period of time to permit the registration, application for, and protection of the intellectual property rights in the technology.

Subd. 6. Rights to Third Parties.

The president or delegate may assign, license, or otherwise grant a third party the right to use technology royalty-free or in exchange for cash, stock or other securities, or other tangible or intangible property.

SECTION VI. DISTRIBUTION OF INCOME FROM COMMERCIALIZATION OF TECHNOLOGY.

The University shall share with inventors the net income from the commercialization of technology as follows:

- (a) thirty-three and one-third percent to the inventors;
- (b) twenty-five and one-third percent to the department, division, or center that supported the creation of the technology, to be spent in support of the inventor's research or directly related University work;
- (c) eight percent to the collegiate unit that supported the creation of the technology; and
- (d) thirty-three and one-third percent to the Office of the Vice President for Research & Innovation, to be spent in support of the University's technology commercialization activities and to fund University research and scholarly activity.

The president or delegate may change the distribution to collegiate units or to departments, divisions, or centers if such amounts become disproportionate compared to their budgets or if there have been administrative organizational changes, including an inventor's movement among units or departments. The president or delegate also may distribute to inventors a portion of the net income from commercialization of technology in the form of a bonus or salary supplement.

SECTION VII. EQUITY, CONTROLLING INTERESTS, AND ASSISTANCE WITH COMMERCIALIZATION.

Subd. 1. Disposition of Equity Securities.

The University shall sell the equity securities acquired under Section V. Subd. 6. of this policy as soon as prudent and in strict compliance with all applicable federal and state laws.

Subd. 2. Acquiring a Controlling Equity Interest in the Commercialization of Technology.

In acquiring, as part of a transaction to commercialize technology, a majority or other equity interest in a company that grants the University the power to direct the company's management or the power to appoint a majority of the voting members of the governing body of the company, the following prohibitions shall apply:

- (a) Except as permitted under Section VII. Subds. 4. and 5. of this policy or any other applicable Board policies, the University shall not make a cash investment in, lend money to, or guarantee the obligations of the company; and
- (b) University officials shall not purchase or invest, directly or indirectly, in the equity securities of a licensee as long as the licensee is privately held, except that University employees who are not University officials may purchase or invest, directly or indirectly, in such equity securities if permitted under Board of Regents Policy: *Individual Business or Financial Conflict of Interest* and other applicable Board policies.

Subd. 3. Appointment of Voting Members to Governing Bodies as Part of the Commercialization of Technology.

The president or delegate may authorize the appointment of voting members to the governing bodies of privately held companies commercializing technology. The member shall:

- (a) be an individual with demonstrated experience and competence in technology commercialization and in the creation, management, and capitalization of privately held companies; and
- (b) be reasonably insured against liability arising from service on the governing bodies of such companies.

The member:

- (a) shall not accept compensation for service as a member of the governing body of the company, but may accept reasonable reimbursement for service-related expenses;
- (b) shall comply with applicable University policies and procedures;
- (c) shall discharge fiduciary and contractual responsibilities to the company, subject to the performance of University duties as provided in Board and other University policy and procedures if the individual is an employee of the University; and
- (d) shall resign as a voting member of the governing body of the company prior to the company's becoming publicly held, unless the president or delegate approves an extension of the appointment.

Subd. 4. Use of Technology Commercialization Income to Assist Commercialization by Non-University Entities.

The president or delegate may authorize non-University entities to use income the University earns from technology commercialization to directly encourage, promote, or assist with the commercialization and development of University intellectual property. The commitment of financial support for particular projects shall not exceed \$250,000, consistent with Board of Regents Policy: *Reservation and Delegation of Authority*.

Subd. 5. Equity Investment to Support Commercialization by Non-University Entities.

The president or delegate may authorize an investment in the equity securities (including securities that are convertible to equity securities) of a company formed for the purpose of commercializing and developing University-owned technology. No such investment may exceed \$1,050,000.

SECTION VIII. REPORTING.

The president or delegate shall report annually to the Board on University activities under this policy as a component of the annual report on the state of the University research enterprise.

SECTION IX. IMPLEMENTATION.

The president or delegate shall implement this policy and maintain appropriate policies and procedures to administer it.

REVISION HISTORY

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Supersedes: Educational Materials dated April 14, 1967; Patent and Technology Transfer dated October 10, 1986; Intellectual Property adopted October 8, 1999; Use of Royalty Income to Support Technology Commercialization adopted March 12, 2004; and Acquiring Controlling Equity Interests in Technology Licensees adopted December 8, 2006.