

***This topic, discussed at the University Faculty Council meeting of March 11, is on the agenda for our April 8 meeting. The cover memo remains the same; the policy, attached, has been revised.***

To: University Faculty Council  
From: Fred H. Cate, Chair  
Date: February 24, 1997  
Subject: Intellectual Property Policy Revision  
Intellectual Property Policy Committee

As many of you are aware, the Trustees declined to approve the Intellectual Property Policy approved by the University Faculty Council last spring. Initially, and without notifying the Intellectual Property Policy Committee (IPPC), the Trustees undertook their own revision of the Policy. In November, the Trustees considered an extraordinarily broad draft that would have covered all works created by faculty, staff, and students, whether or not created with University resources.

In December, the Trustees abandoned their own rewriting process, and instead invited Dottie Frapwell, George Walker, Ed Greenebaum, and me to meet with Bill and Frank Otte, to discuss the Trustees' concerns. At that meeting, we had a very frank and productive discussion; it became clear that the Trustees were most concerned about three related issues: (1) which creations or invention were covered by the Policy, (2) what rights did the University exercise in those creations and inventions that were covered, and (3) how much of any proceeds from the commercialization of those creations or inventions did the University receive. All three of these issues involved the Policy's ownership provisions. The Policy's resolution of those issues was largely dictated by the Principles on Intellectual Property adopted by the Faculty Council in 1993 and by the Trustees in 1994. Trustees Cook and Otte indicated that the Trustees no longer believed that Principle Four (dealing with ownership issues) was adequate to govern the resolution of the ownership issues, and that future revision of the Policy should not be bound by that Principle. Because this conclusion altered the charge to the IPPC, we agreed that it should be confirmed in writing, and John Walda subsequently sent a letter doing so.

At the December meeting we agreed that Dottie Frapwell and I would work together to revise the Policy in light of the Trustees' concerns about the ownership provisions, as well as other issues raised by the faculty and the Office of Technology Transfer. The group met again in February, although without Trustee Otte, to consider a revised draft, and it was agreed to go forward with the revised Policy, subject to some additional minor revisions, on as expeditious a basis as possible. I have forwarded a copy of the revised Policy to the full IPPC for its comments. However, unless the members of the IPPC raise substantial objections about the revisions, it seems advisable to present the revised Policy to the UFC as well. Obviously, if the UFC has concerns with the changes, you can defer formal consideration. On the other hand, the University does not currently have any policy that covers the commercialization of copyrights and patents. We have worked six years on this Policy, yet the faculty and other creators, and the new Advanced Research and Technology Institute and Technology Transfer Office lack any official guidance as to their activities with regard to intellectual property. As those activities go forward, the need for a policy escalates.

I am therefore recommending to the UFC that you approve this Policy, with whatever, if any amendments, you wish, and forward it to the Trustees, who I also believe will act quickly. If we find in the future that amendments are necessary, they can be adopted then. But it will be far better for everyone concerned to amend the Policy in several years, rather than continue to wait to have a policy.

To facilitate your expedited review, I outline below the significant changes between the revised Policy and the version you approved last spring. Many of these have grown out of our experience during the fall with the new Technology Transfer Office, and I am grateful to Julie Watson, Vice President of ARTI for Technology Transfer, and to Kenny Crews, Director of the Copyright Management Center, for their assistance.

1. The revised Policy now applies more broadly than did the initial draft. The revised Policy would apply to any work, other than “traditional works of scholarship and creativity” and “instructional materials,” created with any University resources; any work for which assignment to the University is required by law or contractual agreement (many government grants require that the University own the resulting intellectual property); and any work which the creator seeks the University’s assistance in protecting. (Section 1(a)) This revision eliminates the requirement that “*significant* University resources” be used before the Policy comes into play. (Section 1(a)(i)) “Traditional works of scholarship” and “instructional materials” are now defined and explicitly exclude “device-like software” (*i.e.*, software designed to *do* something, rather than merely *convey information* electronically). (Sections 1(c), (f), (h), and (k))
2. The revised Policy contains a clearer definition of the creators to whom it applies. That definition includes anyone who invents or creates using University resources. (Section 1(b)) The term “University resources” is now also defined, and that definition includes any tangible resource provided by the University, other than salary or benefits. (Section 1(l)) The revised Policy applies to students only if they are employees of the University or use University resources in their creations or inventions. (Section 1(b))
3. The revised Policy expands on the provisions addressing “institutional works” —creations or inventions that the University specifically directs or oversees, such as WTIU productions and marketing and promotional material—to clarify that the University possesses all of the intellectual property rights in such works. (Sections 1(g) and 2(c))
4. The revised Policy eliminates the rights of creators to object to a proposed use of a work owned by the University. This is obviously a controversial change, but it recognizes the practical difficulty of according individual creators such power, particularly in those situations in which we have multiple creators. In our discussions about this change, it is clear that a faculty creator who does not want her work to be commercialized can effectively still prevent that commercialization by refusing to cooperate with the patent process. On the other hand, once an invention is patented and licensed, the creator will now have little ability, other than her persuasiveness, to prevent the University from further licensing the work. (Sections 2(b)(v)-(vii))
5. The revised Policy alters the revenue distribution provisions, to decrease the creator’s share at an earlier threshold. The prior draft changed the distribution ratio at \$100,000 and \$500,000. This revision changes that ratio at \$100,000, \$400,000, and \$1 million. (Section 4(a)) Moreover, this revision alters the provisions concerning equity interests, to clarify that the University (actually, ARTI or the IU Foundation) owns all equity interests outright. There is no division of proceeds until the University decides to sell its equity interests. (Section 4(b))
6. We have included provisions on licenses that would allow the University to continue to use internally intellectual property made available to it (for example, this report), and that would encourage the adoption of licenses that would allow all faculty to make royalty-free, scholarly use of their own and their colleagues’ published works. (Sections 5-6)
7. We have not included the provisions sought by the Trustees requiring all employees, including faculty, to sign contracts stipulating acceptance of this Policy. The group now agrees, I believe, that such terms are unnecessary. In addition, administering those contracts can also be time-consuming and expensive.
8. Finally, the revised Policy is organized a little differently than the earlier draft in an effort make the Policy more clear and readily understandable. Of course, it is impossible to achieve real specificity in a policy intended to cover so many situations and disciplines, but I believe the change we have made will make this version a little easier to follow.

I doubt that any of us are fully satisfied with all of these revisions, but I believe we have a better document, reflecting a meaningful compromise between what the Trustees or the faculty of their own would have favored, and that the need for a policy is considerable.

*[Attached is the final draft of March 27, 1997.]*

## **Indiana University**

1.	Definitions
a.	“Applicable intellectual property”
b.	“Creators”
c.	“Device-like software”
d.	“Direct expenses”
e.	“Indiana University” or the “University”
f.	“Information software”
g.	“Institutional works”
h.	“Instructional materials”
i.	“Material made available for the use of the University”
j.	“Net revenue”
k.	“Traditional works of scholarship”
l.	“University resources”
2.	Assignment and Protection of Intellectual Property
3.	Disclosure
4.	Revenue Distribution
5.	Licenses for Use of Material Made Available for the Use of the University
6.	Licenses for Non-Commercial Research and Teaching Within the University
7.	Assignment and Licensing of Applicable Intellectual Property by the Creator(s)
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### **INTELLECTUAL PROPERTY POLICY**

The fundamental missions of Indiana University are teaching, research, and service to advance knowledge and serve the public good. In the pursuit of those missions, new creations and discoveries often result that are subject to, or eligible for, intellectual property protection. The stewardship of such intellectual property, consistent with the teaching, research, and service missions of the University, is an important responsibility of both the University and the Creator. This document sets forth Indiana University Policy concerning the stewardship of patents and copyrights.

#### 13. Definitions

- a. “Applicable intellectual property” is defined as any invention, creation, innovation, discovery, or improvement:

- i. Developed with University resources, other than:

- (a) traditional works of scholarship and creativity;

- (b) instructional materials; and
    - (c) institutional works;
  - ii. For which assignment to the University is required by law or by a written contract to which the Creator has previously agreed; or
  - iii. For which the Creator seeks the assistance of the University in developing commercially (including protecting, marketing, assigning, or licensing).
- b. “Creators” are defined as faculty, staff, students, and other persons employed by Indiana University, whether full- or part-time; visiting faculty and researchers; and any other person who creates or discovers applicable intellectual property using University resources.
  - c. “Device-like software” is defined as software that is intended primarily and is reasonably likely to accomplish a task or to produce, manage, analyze, or manipulate a product, such as data text, a physical object, or more software. Such software acts as a tool or building block in the accomplishment of such a task or in the creation or management of such a product or result.
  - d. “Direct expenses” are the costs associated with the protection and licensing of intellectual property. Such costs do not include the salaries or other overhead costs of Indiana University.
  - e. “Indiana University” or the “University” shall refer to Indiana University and to any foundation associated with Indiana University, such as the Advanced Research and Technology Institute.
  - f. “Information software” is defined as software that is intended primarily and is reasonably likely to provide information to the user. Such software is akin to a textbook or encyclopedia.
  - g. “Institutional works” are defined as works created at the instigation of the University, under the specific direction of the University, for the University’s use, by a person acting within the scope of his or her employment or subject to a written contract.
  - h. “Instructional materials” are defined as works, other than institutional works, the primary use of which is for the instruction of students. Such works include textbooks, syllabi, and study guides.
  - i. “Material made available for the use of the University” is any invention, creation, innovation, discovery, or improvement, which is the product of a Creator and the subject of intellectual property protection, and which the Creator voluntarily makes available for the University’s use without expectation of further compensation to

the Creator. Such material may include the intellectual property contributions of Creators to University committee reports, musical or dramatic performances or productions, and Departmental lecture note files.

- j. “Net revenue” is that remaining after deducting all direct expenses necessary for obtaining protection for, and licensing, applicable intellectual property.
- k. “Traditional works of scholarship” are defined as works, other than institutional works, reflecting research and/or creativity which, within the University, are considered as evidence of professional advancement or accomplishment. Such works include scholarly publications, journal articles, research bulletins, monographs, books, plays, poems, and works of art. Such works shall include “information software,” but shall not include “device-like software.”
- l. “University resources” are defined as all tangible resources provided by Indiana University to Creators, including office, lab, and studio space and equipment; computer hardware, software, and support; secretarial service; research, teaching, and lab assistants; supplies; utilities; funding for research and teaching activities, travel; and other funding or reimbursement. “University resources” do not include salary, insurance, or retirement plan contributions paid to, or for the benefit of, Creators.

14. Assignment and Protection of Intellectual Property

- a. The University shall not exercise intellectual property rights in any work created or discovered by a Creator other than works meeting the definition of “applicable intellectual property” or “institutional works,” unless such rights are voluntarily transferred by the Creator or secured through licenses set forth in this Policy.
- b. Applicable Intellectual Property
  - i. Creators shall assign rights in applicable intellectual property to Indiana University.
  - ii. Indiana University shall have the sole right to determine the disposition of applicable intellectual property under this Policy. That determination shall take into account the interests of the University, the public, and the Creator, including the Creator’s professional or ethical convictions concerning the use of applicable intellectual property. Responsibility for disposition of applicable intellectual property resides with the Technology Transfer Office, subject to the policies developed by the University Research Policy Committee.
  - iii. Creators may not assign, or license rights in, applicable intellectual property to third parties without the written consent of the University.
  - iv. All assignments must be in writing and shall conform with the requirements of this Policy.

- v. Creators of applicable intellectual property shall assist as reasonably necessary for the University to obtain statutory protection for the intellectual property and to perform all obligations to which it may be subject concerning the intellectual property, including executing appropriate assignments and other documents required to set forth effectively the ownership of, and rights to, applicable intellectual property.
- vi. The Creator retains responsibility for intellectual stewardship of his or her intellectual property. The Creator shall have the right to be identified, or to refuse to be identified, as the Creator by the University and by subsequent licensees and assignees, except as required by law. The Creator shall retain the rights to pursue related research and creative activities, determine methodologies, draw conclusions, disseminate information, and develop related intellectual property (including derivative works), except to the extent that the Creator has voluntarily entered into contractual arrangements or is required by legal or professional considerations to do otherwise.
- vii. Because premature or inappropriate disclosure may defeat legal protection of intellectual property, the University will undertake to inform Creators about the consequences of potential disclosures. The University and Creators will work together to facilitate both scholarly disclosures and the acquisition of appropriate intellectual property protection.

c. Institutional Works

- i. The University shall own intellectual property rights in institutional works, except as provided in prior written agreements between the University and the persons who create those works.
- ii. The Creator(s) of institutional works shall exercise no rights in such works and shall receive no proceeds resulting from the sale, assignment, licensing, or use of such works, except as provided in prior written agreements between the University and the persons who create those works.

15. Disclosure

- a. Creators shall disclose promptly to the University any applicable intellectual property.
- b. Disclosure shall be made on an Intellectual Property Disclosure Form to the Technology Transfer Office, with copies to the Department Chairperson and School Dean. The Technology Transfer Office shall routinely report all disclosures to the Vice President for Research and Dean of the Graduate School.

16. Revenue Distribution

- a. Monetary Proceeds—All monetary proceeds from the transfer or commercialization of applicable intellectual property shall be distributed as follows, unless legal requirements or contractual agreements require otherwise:

i. Of the first \$100,000 of net revenue:

- (a) The Creator(s), or Creator's heirs, successors, and assigns, shall receive one-half (50%) of the net revenue arising from applicable intellectual property.
- (b) The Campus(es) responsible for the applicable intellectual property shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research activities.
- (c) The University shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research and technology transfer activities.

ii. Of the next \$300,000 of net revenue:

- (a) The Creator(s), or Creator's heirs, successors, and assigns, shall receive forty percent (40%) of the net revenue arising from applicable intellectual property.
- (b) The Campus(es) responsible for the applicable intellectual property shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research activities.
- (c) The University shall receive thirty-five percent (35%) of the net revenue arising from the applicable intellectual property to support research and technology transfer activities.

iii. Of the next \$600,000 of net revenue:

- (a) The Creator(s), or Creator's heirs, successors, and assigns, shall receive thirty percent (30%) of the net revenue arising from applicable intellectual property.
- (b) The Campus(es) responsible for the applicable intellectual property shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research activities.

- (c) The University shall receive forty-five percent (45%) of the net revenue arising from the applicable intellectual property to support research and technology transfer activities.
  - iv. Of net revenue in excess of \$1,000,000:
    - (a) The Creator(s), or Creator's heirs, successors, and assigns, shall receive twenty-five percent (25%) of the net revenue arising from applicable intellectual property.
    - (b) The Campus(es) responsible for the applicable intellectual property shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research activities.
    - (c) The University shall receive one-half (50%) of the net revenue arising from the applicable intellectual property to support research and technology transfer activities.
  - v. The University Research and Policy Committee shall review the dollar thresholds set forth above, and revise them as necessary in light of inflation and other economic factors, not less than once every five years after the effective date of this Policy.
  - vi. In the absence of a written agreement to the contrary, multiple Creators shall receive equal portions of the Creator(s)' share of net revenue. When multiple Creators are located on different Campuses, each Campus shall receive the same percentage of the total Campus share of net revenue as the Creators located on that Campus receive of the total Creator share of net revenue.
  - vii. The distribution on each Campus of the Campus(es)' share of net revenue among Schools and Departments shall be determined according to written policies to be developed on each Campus. Those policies shall ensure that such distributions equitably reflects the role of Schools and Departments in the development of applicable intellectual property.
  - viii. Special facts concerning applicable intellectual property may warrant a different distribution of net revenue. Agreements with respect to alternative allocation of revenues shall be in writing and require the consent of the Creator(s), the Dean(s) of the Creator(s)' School(s), the Chancellor(s) of the Creator(s)' Campus(es), and the Vice President for Research and Dean of the Graduate School or his or her designee.
- b. Equity Interests
  - i. The Technology Transfer Office may negotiate, but shall not be obligated to negotiate, for equity interests in lieu of or in addition to monetary consideration as a part of an agreement between Indiana University and an external entity relating to applicable intellectual property. Such negotiations shall comply with

federal and state statutes, and conflict of interest and commitment and other University policies.

ii. Except as provided below, each Creator shall make an irrevocable election between subparagraphs (a) and (b) below as to the distribution of his or her share of equity interests, or the proceeds from the sale therefrom, resulting from the transfer or commercialization of applicable intellectual property, unless legal requirements or contractual agreements require otherwise:

(a) The University shall own the equity interests. If and when monetary proceeds are generated by the sale of equity interests, those proceeds shall be distributed according to the policies set forth herein for revenue distribution. The University does not act as a fiduciary for any Creator concerning equity interests or other nonmonetary consideration received under the terms of this Policy and no Creator shall have any interest in, or legal right to, such equity interests or nonmonetary consideration.

(b) The University shall distribute to any Creator making this election that Creator's share of the equity interests resulting from the transfer or commercialization of applicable intellectual property. The Creator's share of the equity interests shall be determined according to the following formula:

(i) The fair market value of the equity interests shall be determined as of the next business day after the day on which the Creator requests the distribution.

(ii) The University shall then set aside that portion of the equity interests which is equal in value to the direct expenses incurred by the University for obtaining intellectual property protection of the applicable intellectual property (unless those expenses have been covered as part of the distribution of monetary proceeds).

(iii) The University shall then transfer to the Creator that portion of the remaining equity interests to which the Creator would be entitled under Section 4(a) (Monetary Proceeds) above, based on the total value of the remaining equity interests.

iii. The Creator shall not have the right to specify the distribution of equity interests under Section 4(b)(ii)(b) where such distribution is impossible or impractical.

## 17. Licenses for Use of Material Made Available for the Use of the University

- a. Many faculty, staff, and students create material which is the subject of intellectual property protection and which they voluntarily make available for the use of the University without expectation of further compensation.
- b. The University shall retain a non-exclusive, royalty-free license to use such material made available for the use of the University, provided that significant contributions of Creator(s) are acknowledged.
- c. That license shall not include the right to exploit the work outside of the University or for profit.

18. Licenses for Non-Commercial Research and Teaching Within the University

- a. Many faculty, staff, and students experience high costs and practical inconvenience in obtaining permission to use material which is the subject of intellectual property protection for research and teaching.
- b. Creators are therefore encouraged to seek from publishers and other persons to whom Creators assign rights in their intellectual property, a non-exclusive, royalty-free license for their own non-commercial research and teaching and, where possible for anyone within the University to use that intellectual property for non-commercial research and teaching.
- c. The University Counsel's office, the Copyright Management Center, and other appropriate units shall work to develop standard license terms and shall otherwise, to the extent possible, assist Creators in securing such licenses.

19. Assignment or Licensing of Applicable Intellectual Property by the Creator(s)

- a. Indiana University may, at its sole discretion, permit the Creator(s) to assign or license applicable intellectual property.
- b. The University may not withhold consent for assignment or licensing unreasonably and in no case unless the University intends to pursue protection for the applicable intellectual property.
- c. Such assignments or licenses shall be subject to the following provisions, unless waived in writing by the University:
  - i. Indiana University shall retain for itself a royalty-free license to use the intellectual property for non-commercial research and teaching within the University.

- ii. Indiana University shall receive a share of all proceeds generated from commercialization of the intellectual property after the Creator has recovered documented out-of-pocket costs for obtaining legal protection for the intellectual property. The University's share shall be negotiated on a case-by-case basis.
  - iii. Creator(s) shall not be entitled to a share of proceeds received by Indiana University under this subsection.
- d. In the event the Creator(s) has received a specific request for assignment or licensing of applicable intellectual property:
  - (1) The Creator(s) must provide the University with sufficient information to determine the marketability of the applicable intellectual property.
  - (2) The University shall notify the Creator in writing of any objection to the proposed assignment or licensing no later than 45 business days after receiving the Creator's request to assign or license and the supporting information.

## 20. Intellectual Property Transfer/Commercialization Agreements

- a. Indiana University welcomes agreements with third parties for the development, use, dissemination, and commercialization of intellectual property, consistent with the University's mission and the Principles on Intellectual Property.
- b. Any agreement to license or transfer ownership of Indiana University's intellectual property by means of sale, assignment, or exchange shall be subject to this Policy and shall include the terms necessary to fulfill the requirements of this Policy.
- c. Agreements relating to the development and/or commercialization of intellectual property may provide that the contracting entity bear the costs of obtaining protection for intellectual property.

## 21. University Administration of Intellectual Property

- a. Primary responsibility for identifying, protecting, and managing applicable intellectual property, resides with the Technology Transfer Office, under the policies developed and supervised by the University Research Policy Committee and the Vice President for Research and Dean of the Graduate School.
- b. All disclosures shall be submitted to the Technology Transfer Office. The Technology Transfer Office will determine whether Indiana University desires to obtain protection for the intellectual property, or otherwise make use of the

intellectual property. The Technology Transfer Office shall consult as it deems necessary with the Technology Transfer Advisory Committee concerning such decisions and other matters relating to technology transfer and the implementation of the Policy. The Technology Transfer Office or the Technology Transfer Advisory Committee may request a recommendation from the University Research Policy Committee regarding the disposition of the intellectual property.

- c. The Technology Transfer Office shall notify the Creator promptly after it has determined whether it is in the best interest of Indiana University to seek protection for disclosed intellectual property.
- d. If Indiana University decides to seek protection for intellectual property, it shall proceed either through its own efforts or those of an appropriate private firm or attorney to obtain protection and/or manage the intellectual property.
- e. In those instances where delay would jeopardize obtaining the appropriate protection for the intellectual property the Creator may request that the Technology Transfer Office expedite its decision as to whether or not it shall seek statutory intellectual property protection.
- g. The Creator of intellectual property and the Director of the Technology Transfer Office may appeal any adverse determination concerning the identification, protection, and/or management of such intellectual property to the University Research Policy Committee, whose determinations may be appealed to the Vice President for Research and Dean of the Graduate School. Further appeals are subject to existing University policy concerning review of administrative decisions.

## 22. Implementation

- a. This Policy may be implemented or supplemented in any way consistent with its terms and those of other University policies.
- b. In the event exceptional circumstances require any exception to the terms of this Policy, such exceptions shall require the written consent of the Vice President for Research and Dean of the Graduate School or his or her designee and of the Creator(s) and the Dean(s) of the School(s) directly affected.
- c. The Vice President for Research and Dean of the Graduate School shall, when practical, seek the advice of the University Research Policy Committee prior to approving any exception to the terms of this Policy. When prior consultation is impractical, the Vice President for Research and Dean of the Graduate School shall promptly notify the Committee of any exceptions to the terms of this Policy.
- d. This Policy shall not apply to existing written agreements:

- i. between the University and/or Creator(s) and any external organization or individual,
  - ii. concerning the development, legal protection, or commercialization of specific intellectual property, and
  - iii. entered into prior to the date on which this Policy is adopted by the Board of Trustees.
- e. If an existing written agreement is renewed, revised, or amended after the date on which this Policy is adopted by the Board of Trustees, reasonable attempts shall be made to conform such agreement with the requirements of this Policy as of the date on which it is renewed, revised, or amended.

23. Notification

The University shall inform all persons subject to this Policy of its terms as soon as efficiently possible after its adoption and at regular intervals thereafter.

24. Effective Date

This Policy shall take effect immediately upon its adoption by the Board of Trustees.