

HEALTH SCIENCE CENTER HANDBOOK OF OPERATING PROCEDURES

Chapter 12	Intellectual Property	Effective:	February 2004
Section 12.2	Incentive and Royalty Distribution	Revised:	September 2005
Policy 12.2.1	Invention Revenue Sharing Policy	Responsibility:	Vice President for Research

INVENTION REVENUE SHARING POLICY

Overview

It is the philosophy of the leadership of the UT Health Science Center at San Antonio to assist and motivate members of the faculty, staff, and others associated with the Health Science Center, in the practical application of research and development for commercial purposes to benefit the public. To this end, the South Texas Technology Management Office (STTM) is mandated through its mission to assist in the protection and subsequent creation of value resulting from those inventions and discoveries meeting the criteria established by the STTM.

Invention Assignment Policy

All employees of the Health Science Center, students, persons who are not employed but use University facilities, and those who are funded contractually by the University for certain activities shall, unless otherwise exempted, disclose and assign title to intellectual property discovered or invented during the time employed, funded, or using the facilities as specified in accordance with the University's policies and procedures. The term "inventor" shall mean the person(s) who invented, discovered, created, developed, or authored an invention.

Invention Disclosure, Protection, and Patentability

Improperly or inadvertently disclosing the details of one's invention, such as may occur when a technical presentation is made in a public forum (seminar or conference), could result in losing all rights to patenting in foreign countries. Furthermore, if such a disclosure is made, failure to file a U.S. patent within one year of improper or inadvertent disclosure results in complete loss of patenting rights. Whenever an invention has reached the level that the inventor believes a distinct contribution could be made by its adoption, close communication with STTM is essential so that effective steps can be taken and guidance offered to ensure confidentiality, disclosure, and protection.

Beyond the obvious practical reasons for disclosure, the Bayh-Dole Act of 1980 outlines the rights and obligations of both the University and the Government whenever there is a federally supported research and development project. Researchers are obligated to report any inventions to the University, and the University must then report the invention to the appropriate office (i.e. NIH) within 60 days.

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Once proper disclosure is made by the inventor via STTM's [Invention Report Form](#), a request may be made by a technical expert in the field of the invention for a detailed technical assessment. The technical assessment, along with an elaboration by the inventor(s), is evaluated by STTM and presented to the Institutional Intellectual Property Advisory Committee (IIPAC). Comments and advice of the IIPAC are included in the commercialization decision-making process for which STTM is responsible. STTM will perform a number of steps including a prior art search and evaluation of novelty, utility, and non-obviousness to determine whether the invention is patentable (in applicable cases, copyright and trademark laws will apply). If the invention is determined to be patentable, additional due diligence will be performed internally and externally (outside counsel), and criteria will be applied, such as a preliminary valuation procedure for assessment of commercial potential and benefit to the public. If STTM pursues the patent (or copyright or trademark), in the name of The University of Texas System Board of Regents, it assumes all costs related to obtaining the patent or other intellectual property, and takes the lead in the invention's commercialization. An invention whose patent protection is not pursued may still have significant value if the know-how that resulted in the opportunity can be exploited. The STTM could market this know-how or return the rights to the inventor should STTM not pursue commercialization of the invention.

Incentive Awards for Patent Applications

Upon approval by STTM to file a provisional, utility, or patent cooperation treaty for a given invention, the inventor(s) will receive or share a lump sum cash award of \$250. In those cases where no patent protection is sought, but intellectual property income may nevertheless result from an invention, awards may be made, subject to STTM approval. Upon granting of the first issued patent, based on the initial disclosure, an additional award of \$2,000 will be shared by the inventor(s).

The award payments (\$250 and \$2,000) for inventions/issued patents will be submitted on a "[Supplemental Payments to Employees](#)" form. These award payments will be processed on the supplemental payroll cycle paid on the 10th of every month, and are subject to social security, federal withholding, and retirement deductions (if applicable).

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Incentive Awards for the Generation of Intellectual Property Income from Licensing

“Net intellectual property income” shall mean the sum of all option fees, royalty and licensing revenues, milestone payments, up-front payments, and the like, received by the Health Science Center, less the sum of all direct costs, including but not limited to legal expenses, consulting, licensing organizations, registration, prosecution, and maintenance fees incurred by the Health Science Center. Net intellectual property income shall be divided between the inventor(s) and the various Health Science Center components as follows:

Amount*	Inventor	HSC	Unit**	Dean
≤ \$250,000	40%	27.5%	27.5%	5%
>\$250,000	40%	37.5%	17.5%	5%

* Net intellectual property income

** Unit refers to the appropriate department, center etc. When this is unclear, in dispute, or between Schools, the IIPAC is to serve as the adjudicating body

The net intellectual property income received by the Health Science Center (third column above) will be used to:

- Cover prior deficits of STTM for operating the office.
- Provide STTM with operating funds to cover the cost of service provided to the Health Science Center with regard to intellectual property matters (e.g., costs associated with patenting and marketing inventions) when royalty income or other cost recovery has not been achieved.

Incentive Awards Via Equity Participation or Combination Equity/Intellectual Property Income Sharing

A key consideration in the value-creation potential from intellectual property includes the alternative of forming stand-alone, for-profit subsidiaries as commercialization vehicles for the technology platform when such an approach results in a more favorable risk/reward profile for the Health Science Center community. Such an alternative may result in a licensing arrangement with the subsidiary providing partial or no cash royalties to the Health Science Center. Depending upon the extent of participation of the inventors (or contributors) as principals and the relative amounts of cash royalties involved, the inventors (and contributors) will be provided incentive awards in equity or equity/income sharing, determined by STTM after giving consideration to the payments

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that would have been received if a conventional licensing deal had been arranged. Other occasions may arise in which the licensee of a technology offers equity either wholly or partially in lieu of cash as payment. Similarly STTM will recommend equity or combination awards after giving consideration to the payments that would have been received if a conventional licensing deal had been arranged.

Waiver of the Health Science Center's Rights

If, after consideration by the STTM with the advice of the IIPAC, it is decided that development of the invention will not be pursued by the University, title may be assigned to the inventor(s) or waived by the Health Science Center at its discretion, except that it will retain royalty-free license rights to practice for its own purposes, and except for the terms and conditions of the assignment or waiver agreement to the inventor(s). The portion of royalty income accruing to the Health Science Center will be determined by negotiations with individual faculty inventors.

Revocation or Amendment

This patent policy is subject to prospective revocation or amendment by the Health Science Center. In cases of doubt as to the interpretation of the policy, a final decision will be rendered by the Vice President for Research with approval by the President after receiving the advice of STTM and IIPAC. This patent policy is effective as to all new applicable inventions/disclosures/discoveries made on or after March 1, 2004.
