

17.01.99.E1.01 Payment of Patent Expenses and Royalty Distribution

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Supplements System Policy 17.01, TEES Rule 17.01.99.E1

Standard Administrative Procedure Statement

Texas A&M University System (TAMUS) policy in respect of royalties accruing from system intellectual property (IP) is to distribute the funds according to the following schedule:

25.0% to the Office of Technology Commercialization (OTC)

37.5% to the inventor(s)

37.5% to the System member

Reason for Standard Administrative Procedure

This Standard Administrative Procedure (SAP) provides supplemental guidance for System Policy 17.01, Intellectual Property Management and Commercialization and TEES Rule 17.01.99.E1, Management of Intellectual Property (Patents, Copyrights and Information Technology).

Procedures and Responsibilities

1. DISCLOSED OR UNLICENSED TECHNOLOGY

1.1 The inventor or other Engineering Program employee begins by submitting a disclosure to OTC to describe the technology. If OTC deems the disclosure worthy of seeking patent protection, OTC may request funding to pursue the patent. OTC starts the electronic routing process for funding approval. The inventor and the division head determine if either or both wish to contribute to the expenses up to a combined 50% share in return for which either or both would share in the royalties received by TEES equal to the percentage of contribution. TEES provides the final approval to pursue the patent. Participation in the TEES royalties is a one-time offer.

The inventor and division may elect any percentage variation between 0% and 50% of the total royalties that come to TEES. Any royalties for the division are distributed to the division royalty account and any royalties for the inventor are distributed to the inventor's incentive account. Examples include:

1.1.1 The division may elect to assume the entire 50% share for 50% of the royalties that come to TEES.

- 1.1.2 The division may elect to assume a 25% share for 25% of the royalties that come to TEES and the inventor(s) may elect to assume a 25% share for 25% of the royalties that come to TEES.
- 1.1.3 The division may elect to assume a 0% share for 0% of the royalties that come to TEES and the inventor(s) may elect to assume a 10% share for 10% of the royalties that come to TEES.
- 1.1.4 The division and the inventor(s) may elect to assume a 0% share for 0% of the royalties that come to TEES.
- 1.2 If TEES decides not to provide funding for patent expenses, the division or inventor(s) have the option of providing 100% of the patent expenses. In this case, 100% of any future income to TEES resulting from commercialization of the technology up to \$500,000 will be given to the participant(s). Any future income above \$500,000 will be split equally among TEES and the participants.
- 1.3 If OTC decides not to seek protection of the technology, TEES, the division and inventor(s) from Section 1.1 will decide whether or not to protect the technology by providing the full financial resources to obtain/maintain a patent.
 - 1.3.1 If TEES, the division and inventor(s) from Section 1.1 decide to protect the technology, the patent expenses will be split as determined in Section 1.1. Any income accruing to TEES resulting from the commercialization of the technology will be split as determined in Section 1.1.
 - 1.3.2 If TEES decides not to protect the technology, the division or inventor(s) have the option of providing 100% of the patent expenses. In this case, 100% of any future income to TEES resulting from commercialization of the technology up to \$500,000 will be given to the participant(s). Any future income above \$500,000 will be split equally among TEES and the participants as described in Section 1.1.
 - 1.3.3 If OTC, TEES and the division decide not to protect the technology, OTC may release the technology to the inventor(s) by a written assignment as provided in section 4.5 of System Policy 17.01.
- 1.4 If the technology under Section 1 becomes licensed, payment of future patent expenses will be determined as set out in Section 2.

2. LICENSED TECHNOLOGY

- 2.1 If TAMUS has licensed a technology to a licensee, a contractual obligation exists to obtain and maintain patents and pursue additional patents if requested by the licensee. In most cases, the licensee has a parallel contractual obligation to reimburse TAMUS for all expenses incurred in obtaining/maintaining the patents. The applicable procedure is:

2.1.1 A contractual obligation exists for the licensee(s) to reimburse patent fees:

2.1.1.1 If the licensee is in good standing in respect to royalties and patent expense reimbursements, OTC pays the fees and receives reimbursement from the licensee.

2.1.1.2 If the licensee is in default in respect to royalties and/or patent expense reimbursements, OTC may request that TEES pay some or all of the fees. TEES may request that OTC pursue termination of the license agreement on the basis of the licensee being in default.

a. If the decision is not to pursue termination, TEES, the division and the inventor(s) share the expenses as determined in Section 1.

b. If the decision is to pursue termination,

i. If required by the license, TEES, the division and inventor(s) must continue to pay the expenses during the termination process as determined in Section 1.

ii. If the licensee becomes current on all obligations before completion of the termination process, the procedure reverts to Section 2.1.1.1.

iii. If the license is terminated, future decisions relating to payment of patent expenses shall be made under Section 1.

2.1.2 A contractual obligation does not exist for the licensee(s) to reimburse patent fees:

2.1.2.1 If the licensee is in good standing in respect of royalties, TEES, the division and inventor(s) pay the fees as outlined in Section 1.

2.1.2.2 If the licensee is in default in respect of royalties, TEES, the division and inventor(s) from Section 1 determine whether to request that OTC pursue termination of the license agreement on the basis of the licensee being in default.

a. If the decision is not to pursue termination, TEES, the division and inventor(s) share the expenses as determined in Section 1.

b. If the decision is to pursue termination,

i. If required by the license, TEES and the division and

inventor(s) must continue to pay the expenses during the termination process as determined in Section 1.

- ii. If the licensee becomes current on all obligations before completion of the termination process, the procedure reverts to Section 2.1.2.1.
- iii. If the license is terminated, future decisions relating to payment of patent expenses shall be made under Section 1.

3. GENERAL

3.1 In all cases, the communication and transfer of all funds to and from OTC will be through TEES and not the division or inventor(s).

3.2 All patent expense reimbursement/recovery received by TEES resulting from the commercialization of the technology will be returned to the account(s) that originally funded the expense.

3.3 If the payment of patent expenses is fully funded by OTC, TEES shall retain 100% if any royalty income received.

3.4 The division and/or inventor(s) may reduce the percentage of patent expenses they pay, in which case the split of any future royalty payments will likewise be reduced to the same percentage. The percentage of patent expenses paid may not be increased by the division and/or inventor(s).

3.5 This procedure shall take effect on the day it is approved and shall apply to all patent expense and royalty sharing decisions from that date forward.

Related Statutes, Policies, or Requirements

Policy 17.01, Intellectual Property Management and Commercialization

<http://tamus.edu/offices/policy/policies/pdf/17-01.pdf>

Rule 17.01.99.E1, Management of Intellectual Property (Patents, Copyrights and Information Technology)

<http://tees.tamu.edu/rules>

Definitions

Unless otherwise stated, all terms used in this SAP shall have the meaning assigned by System Policy 17.01.

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