

OREGON INSTITUTE OF TECHNOLOGY

**Intellectual Property
OIT-24-010**

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Policy
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Policy on Distribution of Licensing Income

I. Purpose:

To set forth the manner in which revenues received from licensing of the University's intellectual property rights will be distributed among University Employees, their academic units, and the central administration at Oregon Institute of Technology

II. Preamble:

Division 043 of Chapter 580 of the Oregon Administrative Rules (OARs) states that it is the Board of Higher Education's intent to, "establish principles and procedures for equitably sharing net royalty income with employees, and with sponsoring agencies when required by an agreement." Royalty income shall be defined as cash royalties and fees. These rules further state the following: Employees [inventors and authors] shall be eligible to share in net royalty income from each invention or separate improvement thereof, an amount not to exceed:

- (a) 40% of the first \$50,000, 35% of the next \$50,000, and 30% of all additional net royalty income received by the Board for inventions and technological improvements; and
- (b) 50% of net royalty income from educational and professional materials.

Persons entitled to share in this distribution of net royalty income include: faculty, staff, assistants, graduate teaching fellows, graduate research assistants, and student employees.

The employee's share of net royalty income referred to above is the maximum percentage of net royalty income allowed for distribution to inventors and authors. Hence, this amount shall be divided between said inventors or authors, should there be more than one, in an amount agreed upon in writing by all the inventors and authors.

Section 6.250, (3) of the Internal Management Directives (IMDs) defines net royalty income as gross royalty income received by the University minus the following costs: all institutional expenses and reasonable costs incurred in developing the invention or material, expenses incurred in [obtaining], enforcing or defending any patent, copyright litigation, licensing, interference, and marketing costs attributable to the invention or material, as well as any other expenses deemed necessary to recoup. In the normal situation this means repayment of the direct expenses paid by the University to attorneys for the filing and prosecution of the patent applications, or registration of copyright or trademark.

Section 6.250, (6) of the IMDs states that, "net royalty income received by the Board, less the amount distributed, if any shall be dedicated to the institution of the inventor, or author,

subject to the limitation of ORS 351.250. The use made of such net income shall be at the discretion of the president, subject to Board-established budget policy."

III. Distribution of Net royalty Income Less Distribution to Employees

Under this policy, the employees' share of net royalty income will normally be (a) 40% of the first \$50,000, 35% of the next \$50,000, and 30% of all additional net royalty income received by the Board for inventions and technological improvements; and (b) 50% of net

provides both guidance and expression to the development of materials. These definitions of inventor and author, respectively, are broader than those given by United States patent law and copyright law. "Originator" is not defined in policy but is used in policy contexts in which "author" might be used. "Developer" is not defined in policy but is used in policy contexts in which "inventor" might be used.

Determination of Allocable Share

The allocable share is determined as a percentage of net income. Net income is defined in policy as the gross royalty income less all institutional expenses and reasonable costs incurred in developing the invention or material, including direct costs of patent protection and direct commercialization expenses, and "any other expenses deemed necessary to recoup" (IMD 6.250 (3)). The Provost or designee is responsible for approving the allocable share. Policy provides that up to 50% of net income may be allocated to authors of professional and educational materials; or, in the case of inventions, up to 40% of the first \$50,000, up to 35% of the next \$50,000, and up to 30% of any net income in excess of \$100,000.

Agreements on Sharing

Policy directs that "due consideration shall be given to the equity of all parties in the light of all circumstances surrounding the development" of any given invention or material in reaching written agreement on the sharing of net royalty income. This consideration involves (a) **determination of allocable share** (whether the maximum allowed by policy or some portion less); (b) **those who may receive a portion** of the allocable share; and (c) **the relative proportions shared** among those eligible.

Determination of Allocable Share. No share shall be allocated (a) if the originator and developer of an invention or author of material cannot be determined; (b) for any person who has a direct or indirect ownership interest in, or serves as an officer of any organization receiving a license to a development in which he or she has participated; or (c) if the inventor or author waives any claim to net royalty income. If these conditions in part apply, and in part do not apply, then the Provost should recommend an allocable share less than the maximum provided by policy. In all other situations, the maximum allocable share should be provided. In those situations in which a given licensed material has both copyright and inventive elements, the maximum allocable share should follow the inventorship share (40% of first \$50,000, 35% of next \$50,000, and 30% of revenue in excess of \$100,000), unless determined otherwise by the Provost.

Those Who May Receive a Portion. Policy anticipates sharing with all who qualify as inventors, authors, originators, or developers of licensed materials, but does not address how such contributors are to be identified. While many individuals may contribute to the

development of a given work, it is appropriate for royalty sharing to be limited to those individuals who have made a significant authorial or inventive contribution to the work. Although the University shall strive to be inclusive in its identification of individuals eligible for royalty sharing, involving many individuals in a given distribution may make trivial the amounts to be distributed, adversely affect personal incentives, and create an excessive administrative burden.

Two additional principles can be used to evaluate the eligibility of those associated with any given licensed material. (a) Copyright practice considers those who have contributed expression to a work to be joint authors of a work if they intend their contributions to be

recovery of development or support costs associated with the licensed work may receive a lesser share to be recommended by the immediate supervisor of the authors and the Provost.

Conduct of Agreement

Whenever possible, the participation of individuals in work efforts that aim to create licensable works should be established by written memoranda that set forth the conditions of participation and the intentions of all involved with regard to authorship, attribution, control, and the sharing of licensing royalty. Service centers such as those providing design or computing resources should make clear the conditions under which employees of academic and administrative units have access to center personnel. It is not generally possible or appropriate, however, to attempt to make a determination of the extent of the allocable share or the relative sharing among authors until the work has been completed. To expedite agreement on a work it should be promptly disclosed to the Provost together with a statement of the circumstances of development and any memoranda documenting the understandings among those involved. The ranking supervisory authority--in the case of sponsored research, the Principal Investigator; in the case of service units, the Director or immediate supervisor--shall make a recommendation to the Provost with regard to his or her desired arrangements. If those involved are unable to reach agreement, the matter shall be referred to the Provost or designee for resolution. Any final agreement shall be filed with the Office of the Provost.

Internal Management Directives

Development, and Copyright Policies and Procedures

6.205 Application of Policies and Procedures

The policies for licensing, patents, educational and professional materials development, and registration of copyrights apply to all Department of Higher Education employees whose work-related assignments, regardless of location, might enable them to develop new knowledge which was conceived purposely or fortuitously. The policies also apply to other persons using institutional facilities, personnel, or other resources.

6.210 Definitions

- (1) Inventions or technological improvements to which these policies apply include any new and useful process, machine, device, manufacture, or composition of matter, and any new and useful improvements.
- (2) Educational and professional materials to which these policies and procedures apply are those used or distributed primarily for the formal or informal instruction or education of

professional or general students. Such materials may result from the instructional, research, or public service activities of employees.

- (3) Materials to which these policies and procedures apply are exemplified by:
- (a) Writings, lectures, study guides, books, text-books, journal articles, glossaries, laboratory manuals, proposals, musical or dramatic compositions, listings, tables, charts, graphs, figures, manuals, codes, software, unpublished scripts, and programmed instructional materials.
 - (b) Video and audio recordings, live video and audio broadcasts, cassettes, tapes, films, filmstrips, slides, transparencies, and other reproductions and visual aids.
 - (c) Computer programs and computer-assisted course-ware.
- (4) Inventor(s) means the individual(s) who first conceived the idea, invention, or technological improvement.
- (5) Author(s) means the individual(s) responsible for primary subject-matter guidance and development of educational and professional materials.
- (6) Material is said to be in the public domain if it is not protected by common law or statutory copyright and, therefore, is available for copying without infringement.
- (7) Publication occurs when by consent of the copyright owner, the original or tangible copies or phono records [tape recording or compact disc] of a work are sold, leased, loaned, given away, or otherwise made available to the general public, or when an authorized offer is made to dispose of the work in any such manner, even if a sale or other disposition does not in fact occur.
- (8) The term "owner" refers to the party who owns or controls the copyright and who has the right to sell, assign, distribute, or license the use of such material.
- (9) Board-and institution-assisted effort is individual effort which involves institution and

6.215 Rights to Inventions, Tech Improvements, Educational and Professional Materials

- (1) The Board reserves the ownership rights to all institutional work-related inventions, and to educational and professional materials developed with institutional resources, including the right to a free and irrevocable license for usage, and if desired, the licensing for use by others. The foregoing does not preclude an institution employee from granting

up to \$10,000 out of the royalty income receipts, with the inventor and the Board sharing equally in the balance of the net royalty income.

- (6) Except as provided above, the ownership rights to all forms of educational and professional material in the form of books, musical or dramatic composition, architectural designs, paintings, sculptures, or other works of comparable type developed by institution and Board employees, either in conjunction with or aside from their employment, shall accrue to the author, unless the material is prepared in compliance with contractual provisions or as a specific work assignment, or significant institutional and Board resources were utilized. An academic staff person's general obligation to produce scholarly works does not constitute such a specific institution or Board assignment.

6.220 Research and Development of Inventions and Materials with Outside Organizations

- (1) In accepting grant and research funds from governmental, nonprofit, and commercial agencies, the institution and researcher shall agree to the conditions in the agreement with the sponsoring agency pertaining to licensing, patent policies, and ownership of all copyrightable material conceived and developed in the course of work required by the agreement. Such agreements shall normally include provisions enabling the institution to publish the findings of research and rights to take title to patentable inventions, discoveries, and educational and professional materials arising from the work performed. In the absence of such agreement or terms, the products shall be the property of the institution and Board.
- (2) At the time any sponsored assignment is made and when inventions, new technology, or materials subject to copyright may be expected to be produced, affected institutional staff are to be advised of copyright limitations and rights to inventions imposed by extramural sponsors as well as institutional and Board policies and procedures regarding the same.
- (3) In cases where it appears in the interest of the Board, institution, inventor, and sponsor, and upon the recommendation of the president or designated administrator, the Vice Chancellor for Finance and Administration or designee may grant rights to the sponsor, including the right to acquire a proprietary interest in and to any invention or patent developed during the sponsored research project.
- (4) When an invention is developed in the course of sponsored research, the sponsor may be granted a non-exclusive license for its own use and, only if appropriate, an option to acquire a limited term, royalty-bearing, exclusive license to such invention.

6.225 Disclosure of Inventions and Copyrightable Materials

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- (2) If an invention or material is deemed to be the result of joint efforts, an agreement shall be reached among the inventors or authors, institution, and Board for distribution of any royalties. The total of net royalty income paid to all inventors or authors shall not exceed the maximum percentage of net royalty income which Board policy allows to be distributed to a single inventor or author.
- (3) In the event an agreement cannot be reached regarding the amount of equity of each party and subsequent distribution of net royalty income, the president shall recommend resolution to the Vice Chancellor for Finance and Administration after having taken affirmative steps to assure thorough consideration of the equities of all parties.

6.245 Commercialization of Inventions

- (1) The Board encourages the president to assist the invention commercialization process to the extent that the invention contributes toward fulfillment of the institution's mission. Resource allocation for licensing, patenting, and technology transfer, however, is the responsibility of the president.
- (2) The president, designee, or appointed committee shall counsel with inventors to determine how to make the invention available to industry and the public in an effective and non-discriminatory manner, to obtain reasonable royalties for use in furthering institutional education and research objectives, and to reward the inventor through participation in net royalty income received.
- (3) When feasible, the president or designated administrator shall recommend that the Vice Chancellor for Finance and Administration grant non-exclusive royalty-bearing licenses to all qualified organizations. Exclusive licenses may be recommended if it is determined that such a license is required in the best interest of the public, Board, institution, and inventor in order to encourage marketing and eventual public use of the invention.
- (4) Before granting an exclusive license, a bona fide effort shall be made by the institution to apprise qualified organizations known to be interested in the subject matter of the invention and in developing the invention through a non-exclusive license.
- (5) When it is deemed appropriate to grant an exclusive license, the length of exclusivity shall be limited to that time deemed necessary to provide the licensee with the necessary incentive and opportunity to market the product and recover developmental costs, usually not more than five years from the date of first commercialization of the invention, or the issuance of a patent, whichever comes first, and a non-exclusive license for the life of the patent.

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**The Oregon Administrative Rules
filed through January 15, 2003**

OREGON UNIVERSITY SYSTEM

DIVISION 43

**POLICIES RELATING TO INVENTIONS, LICENSE AGREEMENTS,
EDUCATIONAL AND PROFESSIONAL MATERIALS DEVELOPMENT,
PATENTS, AND COPYRIGHTS**

580-043-0006

Policy

The educational and research activities of employees of the Board of Higher Education and its institutions frequently result in the discovery of new knowledge in the form of inventions, technological improvements, and the production of educational and professional materials. It shall be the general policy of the Board that such results be made available to the public in the most expeditious manner.

Stat. Auth.: [ORS 351](#)

Stats. Implemented:

Hist.: HEB 8-1978, f. & ef. 12-5-78

580-043-0007

Objectives of Policies

It is Board intent to:

- (1) Provide systematic means of bringing inventions, technological improvements and educational and professional materials into the public domain.
- (2) Encourage the development of new knowledge while protecting traditional academic freedom of employees in the publication of materials, development of inventions and discovery of technological improvements.
- (3) Establish principles and procedures for equitably sharing net royalty income with employees, and with sponsoring agencies when required by an agreement.

Stat. Auth.: [ORS 351](#)

Stats. Implemented: [ORS 351.070](#)

Hist.: HEB 8-1978, f. & ef. 12-5-78; HEB 5-1996, f. & cert. ef. 12-18-96

580-043-0011

Employee Responsibilities and Rights

- (1) As a condition of employment, all Board and institution employees shall agree to assign to the Board rights to:
 - (a) Any invention or improvement in technology conceived or developed using institutional facilities, personnel, information or other resources; and
 - (b) Educational and professional materials, whether or not registered for copyright, that result from the instructional, research or public service activities of the institutions.
- (2) Employees shall be responsible for disclosing to designated institutional representatives all inventions, technological improvements and educational and professional materials conceived, developed and/or produced during the conduct of normal activities.
- (3) Employees shall be responsible for cooperating and assisting Board and institutional representatives responsible for patenting, licensing, registering for copyright, publishing and generally assisting public access to new knowledge resulting from employee activities.
- (4) Employees shall be eligible to share in net royalty income from each invention or separate improvement thereof, an amount not to exceed:
 - (a) 40 percent of the first \$50,000, 35 percent of the next \$50,000, and 30 percent of all additional net royalty income received by the Board for inventions and technological improvements; and
 - (b) 50 percent of net royalty income from educational and professional materials.
- (5) For the limited purposes of administering the policies under Division 43, persons acting in the following capacities shall be entitled to the benefits and subject to the responsibilities of said rules: graduate teaching assistants, graduate teaching fellows, graduate research assistants and student employees.

Stat. Auth.: [ORS 351.070](#)

Stats. Implemented: [ORS 351.070](#)

- (1) Apply Board-adopted policies and procedures.
- (2) Encourage employee activities that lead to new knowledge.
- (3) Actively seek applications for new knowledge developed by employees.
- (4) Anticipate and comply with conditions in contracts, grants and agreements with sponsoring agencies.
- (5) Recommend to the Vice Chancellor for Finance and Administration or designee contractual agreements, patent applications and equitable sharing of net royalty income.

Stat. Auth.: [ORS 351.070](#)

Stats. Implemented: [ORS 351.070](#)

Hist.: HEB 8-1978, f. & ef. 12-5-78; HEB 1-1986, f. & ef. 1-17-86; HEB 10-1990, f. & cert. ef. 7-26-90; HEB 1-1993, f. & cert. ef. 2-5-93; HEB 5-1996, f. & cert. ef. 12-18-96

580-043-0026

Office of Finance and Administration Responsibilities

The Office of Finance and Administration shall:

- (1) Assist institutions in the development of procedures implementing Board policies and managing new knowledge.
- (2) Monitor institutional application of Board policies.
- (3) Review and approve institutional recommendations regarding assignment of rights, applications for patents, execution of licenses and agreements and distribution of royalties.

Stat. Auth.: [ORS 351.070](#)

Stats. Implemented: [ORS 351.070](#)

Hist.: HEB 8-1978, f. & ef. 12-5-78; HEB 1-1993, f. & cert. ef. 2-5-93; HEB 5-1996, f. & cert. ef. 12-18-96

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