

Technology Transfer

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Technology Transfer

(Approved by the Provost and Executive Vice President
by authority of Executive Order No. 4)

1. Technology Transfer and Intellectual Property

Technology transfer is the transfer of intellectual property rights between the University and companies or other entities outside the University. Such intellectual property rights may consist of patents, copyrights, trademarks, and trade secrets. The University unit responsible for all technology transfer and related intellectual property matters is the Office of Intellectual Property and Technology Transfer (OIPTT). This policy statement provides general information and a description of the procedures of the OIPTT. The University's "Patent, Invention, and Copyright Policy" may be found in the *University Handbook*, Volume Four, Part V, Chapter 7, which is available online at <http://www.washington.edu/faculty/facsenate/handbook/04-05-07.html>.

2. Patents: A General Overview

a. Definition of a Patent

A patent is a grant giving the owner the right to exclude others from making, using, or selling the invention in the jurisdiction where issued. This right may be assigned to the employer by the inventor as a condition of employment, or for other reasons, but the patent application must be filed in the name of the inventor.

b. Characteristics of a Patentable Invention

In order to be patentable, an invention must pass three tests. It must be:

- **Useful** (produces a desirable result, solves a problem, improves on or proposes a new use for an existing development—or shows promise of so doing);
- **Novel** (must not already be patented or described in public literature or in public use for more than one year); and
- **Not obvious** (i.e., a person skilled in the particular art would not be expected to achieve the invention with ordinary effort).

From a broad perspective, natural laws or scientific principles cannot be patented since they have always existed. They can be discovered but not invented. More specifically, the following are not usually patentable:

- Substituting one material for another, i.e., plastic for wood.
- Merely changing the size of a device.
- Making something portable.
- Substituting an equivalent element for another element.

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- Changing the shape of an item.
- Printed matter.

c. Identifying the Inventors

Only persons who made an inventive contribution to the subject matter claimed in the patent application may be named as inventors in the application. Persons who have made other contributions such as gathering essential data or constructing a practical embodiment of an invention, are not inventors—unless they make an inventive contribution. Similarly, a project supervisor is not entitled to inventor status simply because of his or her supervisory role; an inventive contribution is the singular criterion. The determination of who has made an inventive contribution may be difficult when several researchers and students have been involved in a project. It can be fatal to an otherwise successful patent application if the name of a legitimate co-inventor is omitted from the application and competing applications are filed by different inventors. Therefore, it is important to clarify inventorship before the patent application is submitted. If there is doubt concerning a person's inventor status, it is preferable to grant tentative inventor status at the time the invention disclosure is prepared; patent counsel will clarify this by the time the patent application is completed.

d. Principal Features of Federal Patent Policy

Prior to 1980, there were almost as many federal patent policies as there were awarding agencies. In 1980, PL 96–517 (commonly known as the Bayh-Dole Act) was passed by Congress and provided a uniform government-wide patent policy applicable to awards made to nonprofit organizations, universities, and small businesses. Certain improvements were added in 1984 with the passage of PL 98–620. These new laws marked a dramatic liberalization of previous patent policy by allowing grantees/contractors to take title to inventions made in the course of their federally funded research. To enjoy the full benefits of this law, the University must:

- Inform the sponsoring federal agency of an invention within two months of disclosure to the University's office for coordinating invention matters;
- Elect within two years of disclosure whether or not the University wants title rights;
- File a patent application within one year of electing title, or by the patent filing deadline under U.S. patent law, whichever comes first;
- Grant a royalty-free license to the government within six months after filing a patent application;
- Provide the government with annual reports on utilization of federally supported inventions administered by the University; and
- Secure written invention agreements from employees working on federally assisted research projects.

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e. Employee Invention Agreements

It is the responsibility of the OIPTT to disseminate the Patent, Invention, and Copyright Policy to University employees. This may include employee invention agreements, but failure of the University to secure a signed agreement in no way affects the responsibilities or obligations of either party under the Patent, Invention, and Copyright Policy of the University. Employees are expected to comply with the University requirements even if they have not signed a specific patent agreement.

3. Copyrights: A General Overview

a. Definition of Copyrights

Copyright generally protects original works of authorship embodied in a tangible means of expression. Copyrightable works include literary works, musical works, dramatic works, pantomimes and choreographic works, pictorial, graphic, and sculptural works, motion pictures and other audiovisual works, sound records, and architectural works. Copyright does not protect titles, slogans, short phrases, inventions, ideas, discoveries, or facts apart from their description. Copyright arises automatically when a work is created and does not require any formal registration or publication. The duration of copyright varies depending on a number of factors. For individually authored works, created on or after January 1, 1978, the copyright lasts for the life of the author plus 70 years. Generally, the owner of a copyright has the exclusive right to do and to authorize others to do any of the following:

- Reproduce the work.
- Adapt the work.
- Distribute copies of the work to the public.
- Display the work publicly.
- Perform the work publicly.

b. University Copyright Policy

Under University Copyright Policy, faculty, staff, and students retain all rights in copyrightable materials they create, except when special circumstances or contractual arrangements prevail. All questions regarding ownership of copyrightable materials should be referred to the OIPTT.

c. Software

Software may be protected both by copyright and by patent law. Patent law protects any novel, nonobvious, and useful process or method performed by a computer program. Copyright law protects the expression of the process or method. Questions regarding software ownership should be directed to the OIPTT.

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4. Evaluation, Patenting, and Licensing

a. Reporting Inventions

The University policy pertaining to patents and inventions appears in the *University Handbook*, Volume 4, Part V, Chapter 7. All potential inventions should be reported promptly by the inventor to the OIPTT. Faculty and staff should contact that office for advice on:

- The format required for reporting inventions; and
- Special requirements of sponsoring agencies.

The OIPTT reserves the right to handle inventions directly or to use other technology administration agencies.

b. Invention Disclosure

The evaluation of an invention for patentability is usually based on an invention disclosure. Forms and guidelines for this purpose are available in the OIPTT. The invention disclosure has several values. By writing the disclosure, the inventor clarifies the inventive conception. A disclosure is essential for technical evaluation of the invention, assessment of its commercial feasibility, and determination of its patentability. It is used for the novelty search and its clarity and completeness have a definite bearing on the quality and the conclusion of the patent search. The disclosure is used in preparing the patent application. A well-prepared disclosure allows the patent attorney to prepare an application at minimal cost. Where dated and witnessed laboratory notebooks are not available, the disclosure serves as proof of the conception and may help to determine, in any controversy, who first made the invention.

c. Laboratory Notebooks

Laboratory notebooks in diary format are especially helpful in preparing an invention disclosure and may be crucial in cases where two or more parties claim the same invention. In legal challenges, this record may provide the evidence necessary to establish the date the invention was conceived or first reduced to practice, and document the steps taken to reduce it to practice. Further advice regarding laboratory notebooks is available in the OIPTT.

d. Evaluation, Patenting, and Licensing Process

1) Invention Evaluation—During the invention evaluation process, the invention will be subjected to technical, legal, and marketing analyses. This generally involves consultation with the inventor, patent counsel, and prospective licensee(s) under appropriate confidentiality arrangements. If commercial value is present but patent protection does not appear possible, the invention may be licensed as nonpatented technology (see Section 7.a, "Transfer of Innovations Without Intellectual Property Protection").

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2) **Patent Application Process**—If a patent application is filed, it is common for several months to elapse before the office in which it is filed acts on the application. The first "Office Action" often results in a detailed rejection of all or some of the proposed claims. At this point, the patent attorney normally consults with the inventor to prepare a response, giving reasons for believing that certain parts of the Office Action are incorrect. This process is time consuming but typical for most patent applications. It is common for at least two years to elapse between the filing of an application and the issuance of a patent. However, licensing activity can be initiated while the patent application is being reviewed and claims negotiated.

3) **Other Options**—Inventions in which the University has an interest but which do not meet University criteria for patenting shall be managed in accordance with policies and procedures determined by the OIPTT. Those procedures may include:

- A mechanism by which the inventor(s) may personally pay patenting costs;
- The formation of a commercial enterprise to pursue commercialization; and
- The transfer, for fair consideration, of the patent rights to the inventor(s), under appropriate circumstances.

The choice of options in a given case will depend largely on what is permitted by state law, other University policies, and preexisting commitments to sponsoring agencies.

e. Types of Licenses

In general, there are two principal types of licenses: **exclusive** and **nonexclusive**. Under an **exclusive** license, the company is the University's sole commercial licensee and no other license may be granted by the University during the term of exclusivity. In some instances, exclusivity may be limited to a product line or geographical area. **Nonexclusive** licenses may be issued to all companies or organizations that meet the terms of the proposed license.

f. Assistance in Licensing and Patenting Inventions

The University retains the right to license intellectual property, but may on occasion engage other intellectual property management firms. The University has agreements with other nonprofit agencies—the Washington Research Foundation, Research Corporation Technologies in Tucson, Arizona, and the Battelle Development Corporation in Columbus, Ohio, and occasionally uses other agencies on a case-by-case basis.

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5. License Revenue

a. Allocation of Costs and Division of Royalties, Equity, and License Fees

- 1) **Allocation of Costs**—Direct costs incurred by the University in the protection and licensing of intellectual property must be recovered before distribution of income begins. The Vice Provost for Intellectual Property and Technology Transfer may also retain amounts necessary to recover reasonably anticipated direct costs.

Direct costs include legal expenses incurred by the University and associated with either:

- Obtaining and maintaining patent or other legal protection for an invention or copyright; or
- Negotiating, managing, and enforcing assignments, waivers, licenses, and other contracts associated with acquiring and transferring intellectual property.

Direct costs also include the University's out-of-pocket expenses associated with a given transfer which includes but is not limited to travel, market research, and costs associated with the management and liquidation of an equity security (as subsequently defined in this policy statement).

Colleges, departments, and other units will occasionally direct discretionary funds toward the further development of specific technologies. In certain cases these expenditures may be treated as direct costs and may be reimbursed. All such reimbursements shall be subject to approval from the Vice Provost for Intellectual Property and Technology Transfer. They will be made only after recovery of the OIPTT administrative fee and recovery of any direct costs incurred by the OIPTT and the Treasury Office. The expenditures and reimbursements will be governed by a memorandum of understanding among the participants and subject to the following restrictions:

- Expenditures made by units prior to disclosure to the OIPTT will not be considered.
- No reimbursements may be made for salaries for faculty hired prior to the disclosure.
- Post-disclosure expenditures (usually for prototype development or software development costs) up to \$100,000 may be reimbursed from licensing income only when all those who are eligible for a share of the licensing income (inventors, school/college, Office of Research, OIPTT) give written approval. This approval must be in advance of any expenditure.

Total gross revenue is the total cash consideration (including royalties, equity, and licensing fees) received by the University pursuant to a contract pertaining to particular intellectual property. Licensee-paid cost

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recoveries are direct costs incurred by the University and paid by a licensee. Adjusted gross revenue is the total gross revenue less licensee-paid cost recoveries.

The OIPTT shall retain licensee-paid cost recoveries, and shall deduct an administrative fee of 20 percent from adjusted gross revenue. From the remainder, the OIPTT and the Treasury Office (in cases of distribution of equity or equity proceeds) shall deduct amounts necessary to cover incurred and reasonably anticipated direct costs.

2) Division of Net License Revenue—Net royalties, equity and equity proceeds, and licensing fees (collectively, "net License Revenue") derived from the licensing of intellectual property in which the University holds an interest will be distributed as shown in the table below, after:

- #1** Deducting the OIPTT administrative fee;
- #2** Deducting and reserving expenses as provided in Section 5.a.1; and
- #3** Deducting the amount of any grant from the Technology Gap Innovation Fund (TGIF) program (http://depts.washington.edu/techtran/aboutus/au_tgif.php) if the license revenue was generated from a technology developed using TGIF funding, and reimbursing such amount to the TGIF program.

| Net Royalties, Equity, and License Fees | Inventors, Authors | Inventor's/ Author's Dept/College | University Research Funds |
|--|---------------------------|--|----------------------------------|
| | 1/3 | 1/3 | 1/3 |

Distributions will be made annually according to a calendar schedule published by the OIPTT.

The share for University Research Funds (including the Graduate School Fund and Royalty Research Fund) is used to promote research across the whole institution. The college/departmental share is allocated to the dean of the college for distribution. It is expected that at least 75 percent of this share will go to the inventor's or author's department (or other unit) for promotion of research according to departmental (or other unit) and college goals.

For purposes of applying the distribution schedule, income from improvements and updates of inventions (e.g., computer software updates) is considered as an addition to the net income on the initial technology. Special arrangements may be approved by the OIPTT when such updates are done by the employee on an outside consulting basis.

This revenue distribution schedule will be used to distribute revenue received by the University on technologies disclosed on or after July 1,

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2003. This revenue distribution schedule will also be used for revenue from licenses that combine disclosures made before and after this date. No adjustments of prior distributions will be made. With regard to license revenue resulting from disclosures prior to July 1, 2003, the determination whether a distribution is appropriate and the amount, if any, to distribute shall be governed by Subsection 5.c.3, item #1 below (in the case of revenue from sale of equity) and by the policy in place at the time of the disclosure (in the case of cash royalties and license fees.) Agreements with development agencies made prior to 1969 and reconfirmed in writing thereafter will continue with the royalty arrangements specified therein.

3) Waiver/Match Policy—A University employee may prospectively waive the receipt of a portion or all of his or her share of annual revenue received by the University under a license. The following conditions apply:

- #1** The employee, at the time of the waiver, may designate his or her laboratory or research program, department, or other University unit as the recipient of the waived amount. The waived funds will be regarded as regular University funds subject to all of the usual and customary legal and administrative requirements of the University.
- #2** In order to ensure that the use of the funds is consistent with the broad mission of the University, or to avoid financial imbalances or hardships within or among University units, the Office of the Provost, in consultation with the dean or deans of the involved units, must approve a plan for the designation of funds submitted by the employee, and, thereafter, may review the use of the funds at any time. It is expected that the waiver plan will be approved only with the concurrence of the dean of the receiving unit.
- #3** The waiver must be irrevocable and executed prior to the end of the fiscal year in which the revenue was generated.
- #4** Funds directed to the employee's research laboratory or program may only be used to support research and educational expenses associated with the employee's research laboratory or program. Such funds cannot be used for the employee's travel (including transportation, lodging, meals, and attendant costs), salary for the employee or a family member, or other similar purpose.
- #5** The funds waived by the employee may be matched by the University subject to the following conditions:
 - The match will be on a 1:1 dollar basis.
 - Responsibility for the match by units of the University will be proportionate to the revenue distribution formula. For example, if the formula allocates equal shares of net revenue to the

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college/school/department and to University Research Funds, each will match equally under this plan.

- The combined match from all units of the University is not required to exceed \$100,000 per employee per year, regardless of how many inventions or other intellectual properties are involved. It shall not exceed \$300,000 per year from a single license.
- It is expected that the college/school/department share of a match will be approved only with the concurrence of the dean of the unit in which the invention or other intellectual property was created.

b. Equity in Business Ventures

The University may take an equity position in a company whether or not license fees or royalties are paid to the University as part of a negotiated agreement. A typical circumstance under which the University might receive equity would be as part of an agreement licensing a University-developed innovation to a start-up or developing business venture. Another example might occur when an employee of the University utilizes the expertise and/or innovation he or she has developed in the course of University employment and assists a business venture in the commercialization of an idea. (A business venture includes corporations, partnerships, or other commercial enterprises.)

To ensure a balance of interests for the business venture as well as for the University, the University will generally require that it receive an equity position in such circumstances. This equity interest is managed and disposed of by the University in accordance with investment guidelines prescribed by the Board of Regents and the policies and procedures stated in this and the following section.

When such equity interest is liquidated by the University, the net proceeds, after recovery of all University costs and after any distributions described in the following section, are administered by the Office of Research to promote research and technology transfer across the entire University. If the proceeds from the disposition of a particular equity interest are unusually large, the Provost shall confer with the University Budget Committee and with the Research Advisory Board on alternative uses for amounts in excess of a base figure (set at \$3 million in 2000 dollars).

There may be situations in which both the University and its employees separately own equity interests in a business venture. In such circumstances, the employee's equity interest is considered to be independent of the University's equity interest and is not held, managed, disposed of, or distributed by the University. An example would be a case in which the University receives an equity interest in a business venture as a result of licensing certain innovations developed by one of its employees and in which the same employee also owns an equity interest as a result of being a founder

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of the business venture receiving the license. In this example, the employee's equity interest is not held or managed by the University but rather by the employee, and the employee's status as a founder having an ownership stake in the business venture renders the employee ineligible to receive a distribution of a portion of the University-owned equity interest or the proceeds from sale of such.

c. Disposition and Distribution of Equity Interests

1) **Summary**—This section describes the University of Washington's policies and procedures governing the disposition and distribution of equity interests received by the University as the result of the commercial licensing or other transfer of University-developed intellectual property rights for commercial use. With the exception of persons who are founders or have certain relationships with founders, the same persons eligible to share in patent and copyright royalties are also eligible to participate in a distribution of equity interests received by the University, to the extent that the amount realized by the University from the disposition of those equity interests exceeds the University's costs. These policies and procedures also provide that when the University makes a decision to publicly sell an equity interest, a prospective recipient may request to receive the distribution in either cash or marketable securities or a combination of both. Pending a distribution, the University shall be considered the sole legal and beneficial owner of, and shall manage, the securities. Prospective recipients shall have only the right to receive the net proceeds (if any) realized by the University from a liquidation. In addition, under certain circumstances, the University may allow the distribution of an equity interest prior to sale by the University. All distributions of equity interests must be conducted in accordance with all applicable securities laws and in accordance with University policies and procedures.

2) **Definitions**—For purposes of this section, the following definitions apply.

- **Company** means a corporation, limited liability company, limited partnership or other similar for-profit business entity issuing or transferring Equity Securities.
- **Distribution** means a net distribution, after payment of all applicable University Costs, of:
 - Cash, a Marketable Security, and/or other proceeds of a Liquidation as described in Section 5.c.5, "Distribution of Cash and/or Marketable Securities Upon Liquidation"; or
 - An Equity Security pursuant to an Early Distribution as described in Section 5.c.6, "Early Distribution of Equity Securities."

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- **Early Distribution** means a net distribution, after payment of all applicable University Costs, of Equity Securities prior to a Liquidation, as described in Section 5.c.6, "Early Distribution of Equity Securities."
- **Equity Security** means any common stock, other equity security (including any security convertible into any equity security such as an option, warrant, or other convertible security) or other similar right to share in the profits of a business received by the University in connection with the transfer or license to a Company of Intellectual Property Rights, including any accrued dividends thereon.
- **Founder** means any person who participates in the creation, formation, establishment, initial fundraising, and initial management of a new business entity. A Founder may also be someone who receives stock, options, or warrants to purchase stock for his or her role as a developer or innovator that is not tied to a legitimate role as a consultant or member of an advisory board to the company.
- **Intellectual Property Right** means all forms of intellectual property rights including, without limitation, patents, trademarks, copyrights, trade secrets, know-how, and similar technology rights.
- **Liquidation** means the disposition of the University's holdings of an Equity Security for cash or Marketable Securities, as described in Section 5.c.5, "Distribution of Cash and/or Marketable Securities Upon Liquidation."
- **Marketable Security** means an Equity Security that may be freely traded without restriction on a public securities exchange or market.
- **OIPTT** means the University's Office of Intellectual Property and Technology Transfer.
- **Recipient** means any faculty member, researcher, inventor, employee, or other person having a relationship with the University pursuant to which such person is eligible under the University's policies to receive a Distribution. Any person who is a Founder, any person who lives in the same household as a Founder, or any person who has an immediate family member who is a Founder, shall not be eligible to be a Recipient. For purposes of this provision, "immediate family members" shall mean those persons having a relationship, whether by blood, law, or marriage, of spouse, parent, child, grandparent, grandchild, or sibling.
- **SEC** means the U.S. Securities and Exchange Commission.
- **Treasury Office** means the University's Treasury Office.
- **University** means the University of Washington, including its various campuses, schools, departments, branches, divisions, and units.
- **University Costs** means all direct and other expenses incurred and/or reserved by the University in connection with a Liquidation and

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management of Intellectual Property Rights, including a 20 percent overhead fee for Intellectual Property Rights managed by the OIPTT, and any similar expenses incurred and/or reserved by the University for Intellectual Property Rights managed for the University by a third party.

3) Distribution Policies—

- #1** Except as provided herein, an inventor or similar person may be a Recipient if the invention or innovation was disclosed on or after December 20, 2000. Equity received by the University as a result of licensing for disclosures prior to December 20, 2000 will not be distributed to inventors, but will be retained in its entirety by the Office of the Provost to promote research and technology transfer.
- #2** A Recipient shall be eligible to receive the same percentage of a Distribution (if any) as the percentage specified for inventors in the University's distribution policy for license revenue. In the event more than one Recipient is eligible to receive a particular Distribution, such share shall be divided in accordance with any applicable written agreement signed by all of the Recipients, or lacking any such agreement, in accordance with University policies and procedures.
- #3** The College, School, and Department (or other comparable University organizational unit) shall receive the same percentage of a Distribution (if any) as the percentage specified for such units in the University's distribution policy for licensing revenue. Such share shall be distributed to the unit or units in which the research or other activities giving rise to the applicable Intellectual Property Rights were performed in the same proportion as would be distributed to the employees performing such research or other activities, subject to any adjustments deemed equitable and appropriate by the University.
- #4** If all or part of what would otherwise be a faculty member's, researcher's, or employee's share is not distributed to that person because that person is a Founder, or for any other reason, that person's share shall be divided among the remaining non-Founding inventors. If there are no non-Founding inventors, the inventor share shall be split evenly between the University Research Funds and the college/school/department.
- #5** Any cash or other dividends previously paid by a Company on Equity Securities and accumulated by the University shall be distributed on the same basis as the Equity Securities upon which such dividends were paid.
- #6** In connection with any Liquidation in which the University is to receive Marketable Securities, Recipients will be provided a single

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opportunity to irrevocably request to receive (in whole or in part) a Distribution in the form of Marketable Securities in accordance with the procedures described herein.

#7 Recipients may be provided, in certain circumstances, a single opportunity to irrevocably request to receive (in whole or in part) an Early Distribution of Equity Securities in accordance with the procedures described herein.

#8 The University shall have the sole and exclusive authority to determine the timing of a Liquidation. Recipients, including prospective Recipients, shall have no rights to participate in the management of Equity Securities, and in particular, shall have no right to approve, consent to, or receive notice of any securities transactions.

4) General Rules and Conditions—

#1 Only such persons who are expressly eligible to receive a Distribution, as provided in applicable University policies and procedures and under any applicable law, may be a Recipient. Prior to any Distribution, the University shall be considered the sole legal and beneficial owner of and shall have the sole right and authority to manage all Equity Securities.

#2 Distributions shall be made in accordance with all federal, state, and other applicable securities laws, including the rules and regulations of the SEC, and all Distributions shall be made on condition of compliance by the Recipient and the Company with all such laws.

#3 The University may establish such procedures, conditions, and limitations that it deems proper and appropriate with respect to Distributions, including any required tax withholding, restrictions on resale (including holding periods or other measures ensuring the restriction of transfer of Equity Securities in appropriate circumstances), and the filing of appropriate SEC notices and forms.

#4 The University reserves the right to restrict, suspend, or not engage in a Distribution if at any time it determines that:

- The Recipient and the Company are not in material compliance with all relevant agreements with the University;
- The Distribution cannot be effected in compliance with all federal, state, and other applicable securities laws, including the rules and regulations of the SEC; or
- A Distribution would not be in the best interests of the University.

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- #5 The University shall have the sole and exclusive authority to manage Equity Securities including, without limitation, to make all decisions pertaining to Liquidations, sales of Equity Securities, Distributions, and Early Distributions, including their timing, manner, and method.
- #6 All Distributions (whether in the form of cash, Marketable Securities, or Equity Securities) will be net of University Costs, including, but not limited to, the costs to acquire, manage, transfer, or liquidate such securities.
- #7 The Treasury Office will administer all Liquidations and will ensure that the proceeds of Liquidations (whether in the form of cash or Marketable Securities) will not be released to Recipients until received and cleared by the Treasury Office, including making deductions for University Costs.
- #8 The Treasury Office will administer all Early Distributions and will ensure that Equity Securities distributed as part of an Early Distribution will not be released to Recipients until authorized under all applicable arrangements governing the Early Distribution.
- #9 A Recipient may waive (in whole or in part) the right to receive a Distribution in accordance with the policies and procedures relating to waivers of rights to receive royalties.
- #10 The University shall have the sole and final right to make decisions reserved to it under these policies and procedures and to construe, interpret, and apply these policies and procedures, including the making of any factual determinations necessary for their implementation.
- #11 The University reserves the right to change at any time its policies and procedures regarding Distributions.

5) **Distribution of Cash and/or Marketable Securities Upon Liquidation—**

- a) Authority—Liquidations may arise out of one or more of the following circumstances:
 - The sale for cash of Marketable Securities in a public market;
 - The sale of Equity Securities or Marketable Securities for cash or Marketable Securities in a private transaction (including as part of an acquisition or merger of the Company);
 - The redemption by the Company of Equity Securities from the University for cash or Marketable Securities; or
 - The conversion of Equity Securities to Marketable Securities (including the exercise of stock options or warrants or the conversion of other convertible securities).

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- b) Procedures—Upon the closing of an agreement (or as soon thereafter as may be practicable) pursuant to which the University will receive an Equity Security, the OIPTT will notify the Treasury Office of such an agreement and provide the Treasury Office with the following information:
- The anticipated delivery date of the Equity Security to the Treasury Office;
 - The exact description and identification of the Equity Security;
 - The name, address, telephone number, and other contact information with respect to each Recipient;
 - Each Recipient's proportionate share or the basis for calculating such; and
 - Copies of such additional supporting documentation as may be requested by the Treasury Office.
- c) Request to Receive Marketable Security—Based on information furnished by the OIPTT, the Treasury Office will notify each Recipient in writing, at least ten days prior to a Liquidation affecting a Recipient, of the opportunity (if any) to request to receive all or part of the Distribution in the form of Marketable Securities. Distributions will be made entirely in cash, except Distributions of Marketable Securities may be made by the University if:
- The University determines that a Distribution of Marketable Securities would be lawful, consistent with University policies and procedures, and not create an undue administrative burden;
 - A properly completed and executed, irrevocable written request on a form prescribed by the University is returned to the Treasury Office within the time period specified therein;
 - The Recipient has an account with a duly-licensed stock brokerage firm approved by the Treasury Office. This firm will be one that accepts and clears stock transfers through The Depository Trust Company (DTC) and has furnished the Treasury Office all requested information regarding the Recipient's brokerage account; and
 - Arrangements, satisfactory and acceptable to the University, are made for payment, including reimbursement to the University, of any required taxes or tax-withholding obligations.

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6) Early Distribution of Equity Securities—

- a) Authority and Conditions—An Early Distribution shall be allowed only if the University finds in its sole discretion that an Early Distribution would:
- Be lawful and consistent with University policies and procedures;
 - Not be contrary to any securities laws, including the rules and regulations of the SEC, nor likely to create an unacceptable risk of a violation of any such securities law;
 - Not be in breach of or inconsistent with any agreements to which either the University, the Company, or the Recipient is a party;
 - Be manageable, if necessary, through implementation of measures limiting the transfer of unregistered or restricted Equity Securities (including obtaining physical possession of stock certificates and/or having restrictive legends placed on stock certificates); and
 - Not create an undue administrative burden, as determined by the sole discretion of either the Treasurer or the Vice Provost for Intellectual Property and Technology Transfer, or their designees.
- b) Procedures—In the event the University makes a decision to allow an Early Distribution (whether at the time of the closing of the agreement to acquire an Equity Security or thereafter), the OIPTT will notify all Recipients in writing of the opportunity to request to receive all or part of the Distribution as an Early Distribution. Whenever any Equity Securities to be included within an Early Distribution are under the control of the Treasury Office, the OIPTT will provide the Treasury Office the following information:
- Instructions for dividing the shares in the case of multiple Recipients;
 - The exact description and identification of the particular Equity Security, or portion thereof, subject to an Early Distribution;
 - Appropriate instructions regarding the release and delivery of the Equity Security; and
 - Copies of such additional supporting documentation as may be requested by the Treasury Office.
- c) Request to Receive Early Distribution—No Early Distribution will be made to a Recipient unless in connection therewith:
- A properly completed and executed, irrevocable written request on a form prescribed by the University is returned by the Recipient to the OIPTT within the time period specified therein;

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- The Recipient executes any written agreements required by the University and/or the Company, which may include custodial agreements, restriction-on-transfer agreements, and agreements containing appropriate indemnification provisions in favor of the University;
- Arrangements, satisfactory and acceptable to the University, are made for payment, including reimbursements to the University, of any required taxes or tax-withholding obligations; and
- Information, satisfactory and acceptable to the University, has been provided to enable the University to fulfill any tax reporting obligations, including information regarding the fair market value of the particular Equity Security subject to the Early Distribution.

6. Confidentiality and Public Disclosure

a. Public Disclosure/State Exemptions

In general, nonpatented innovations developed at the University become available to the public when the results of research are published. When patent applications are pending, the University may exempt patent details from public disclosure. This same exemption applies to nonpatented innovations according to the state Public Disclosure Act which exempts from disclosure "valuable formulae, designs, drawings, computer source code or object code, and research data obtained by any agency." Thus, an outside requestor would be entitled to access to all published research data but not enjoy free access to unpublished research information, laboratory notes, or test data. In cases of doubt, advice should be sought from the OIPTT and that office may seek advice from the Attorney General's Office, UW Division, if necessary.

b. Safeguarding Confidentiality of the Innovation

The inventor's or author's disclosure is handled in strict confidence by the University (or its patent administration agent). If it is necessary to reveal the details of the innovation to a prospective licensee prior to public disclosure, the prospective licensee may be required to sign a confidential disclosure agreement to protect against unfair appropriation of the innovation.

Employees wishing to provide information or materials such as cultures, compounds, etc., to outside researchers for noncommercial purposes should protect their rights, and those of the University, by a written agreement **before** releasing the information or material. A form for this purpose is available in the OIPTT.

c. Public Disclosure and Its Relationship to Patents

Any public disclosure of patentable material can invalidate some patent options. A public disclosure can result from the publication of a journal article, the

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placement of a graduate student thesis in the library, a presentation at a conference, or the release of technical information to a person not bound by a nondisclosure/confidentiality agreement. The public disclosure of an invention prior to filing a patent application can bar obtaining a valid patent. On the other hand, there is the understandable desire and obligation of University investigators to communicate the results of their research and new discoveries promptly. There are some reasonable procedures that can help with this dilemma. For example, a thesis that has been catalogued and made accessible by the libraries constitutes a publication. In order to gain time for patent consideration, the inventor or Vice Provost for Intellectual Property and Technology Transfer may petition the Dean of the Graduate School to temporarily withhold library access until patent considerations are evaluated.

In the U.S. a patent application must be filed within **one year** of a public disclosure. It should be remembered that most foreign rights will be forfeited at the point of public disclosure. Consequently, the most effective procedure is to file a patent application with the U.S. Patent Office **before** public disclosure takes place. If the inventor promptly furnishes a disclosure to the OIPTT, it is usually possible to investigate feasibility of patent coverage during the interval it takes for an article to be published. If a patent is justified and subsequently filed, the inventor and the University will qualify under the one-year deadline in the U.S. and will also be allowed to file in most foreign countries within one year of the U.S. filing. However, a seminar presentation or a paper delivered at a conference can also constitute public disclosure. Contact the OIPTT for advice on how to protect intellectual property.

7. Relationships With Industry

a. Transfer of Innovations Without Intellectual Property Protection

Ordinarily, the best way to ensure the transfer of University innovations to the private sector is to obtain patent or copyright protection. Patents and copyrights provide a clear definition of the technology, a legal identification of the true inventors or authors, certain protections to the licensee, and a mechanism to enforce royalty payments. Nevertheless, in some cases, patent coverage is not feasible even though technology transfer to the private sector is desirable. In such cases, an agreement may be negotiated with the company. This agreement will provide royalty payments to the University for the "know how" or accumulated unpublished research data furnished to the company. In some cases, it is appropriate for the University to seek an equity position in the business venture (see Section 5.b, "Equity in Business Ventures"). The company may seek the direct involvement of the inventor or author as a consultant, in which case a separate consulting agreement consistent with University policies should be developed (see Section 7.b, "Consulting Work Related to Inventive Activity").

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b. Consulting Work Related to Inventive Activity

- 1) **Consulting in General**—Consulting for commercial or other outside entities often takes place in situations prior to inventive activity. In such circumstances, it is important for the employee to avoid conflicts with the Patent, Invention, and Copyright Policy of the University. This is particularly true where collaborative research is performed involving joint efforts between University employees and outside organizations.

It is important that faculty members avoid conflicts-of-interest when they undertake consulting relationships. For example, conflicts-of-interest may arise if the faculty member owns stock in the company, holds a management position in the company, has a continuing role in the scientific program of the company, or also receives research funding from the organization. It is extremely important that the scope of the consulting does not conflict with the faculty member's University obligations, and that the faculty member is not obligated to provide to the company intellectual property resulting from his or her University research. Consequently, faculty members must submit a Request for Approval of Outside Professional Work for Compensation form to their department chair and dean for approval. Disclosure of potential conflicts-of-interest is crucial. They can often be defined so as not to present a bar to the consulting if disclosed in advance. When intellectual property is at issue, the OIPTT should be involved to clarify the rights of the parties and of the University **before** the consulting takes place. These disclosures must take place before consulting agreements are negotiated. In some cases, it is appropriate for the University to seek an equity interest in the business venture (see Section 5.b, "Equity in Business Ventures").

- 2) **Consulting in Relation to a Licensed Technology**—Consulting related to an innovation already identified and being licensed by the University (or its agent) may ensure the orderly and full development of the innovation. Ordinarily, it is not expected that such consulting will be provided as part of the licensing consideration but will be covered instead by a separate consulting agreement between the inventor or author and the licensee. Occasional telephone inquiries from technical representatives of the licensee or brief meetings at the University during which the inventor or author explains the general concepts of the innovation are normally considered advisory exchanges and handled without cost to the licensee. When consulting results in improvements to licensed inventions or updates to any other licensed materials such as software, the OIPTT should be notified. Special arrangements for the distribution of income from these improvements or updates must be approved by the OIPTT.
- 3) **Consulting Agreements**—All consulting activities require prior approval by the Office of the Provost, consistent with the policies stated in the *University Handbook*, Volume Four, Part V, Chapter 6. Consulting

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agreements between a business venture and a University employee should:

- Conform with the University's policy on outside professional work;
- Avoid conflict with the terms of any license agreement between the University and a licensee, or with any other University relationships;
- Define the subject matter and scope of the consultation so as not to overlap with University-owned intellectual property (except when handled in conjunction with a license);
- Clarify the ownership of the intellectual property developed as a result of the consultation project;
- Grant an equity interest in the business venture to the University, where appropriate (see Section 5.b, "Equity in Business Ventures");
- Be discussed with the OIPTT if there are questions about intellectual property or University policies; and
- Ensure payment of normal consulting fees and reasonable expenses to the University employee.

c. Reporting Technologies Developed Outside University Employment

All innovations discovered by a faculty or staff member during employment with the University must be reported to the OIPTT for determination of the degree of University interest. This ensures compliance with state law and the requirements of any sponsoring agencies, and allows the University to determine whether it has an interest in the technology, as defined in the *University Handbook's* "Patent, Invention, and Copyright Policy," Volume Four, Part V, Chapter 7, Section 1.C. If the inventor believes that he or she owns the technology, and that the University does not have interest in it, the report should include details addressing each of the factors identified in the previously cited *University Handbook* provisions. The concurrence of the department head and dean should be shown on the report prior to transmittal to the OIPTT.

d. University Testing or Development of Privately Owned Technology

In general, University facilities should not be used to further developmental work related to innovations already conceived and belonging to students or employees (the result of independent activity outside the University). However, in some cases, it may be in the best interest of the University to allow its facilities to be used in a collaborative effort even though the innovation belongs to the student or employee. In such cases, the merits of the proposed collaboration must be documented as follows:

- The employee must provide clear evidence that the innovation was made independently of his or her employment at the University and the employee's statements must be confirmed by the chair or director of the employee's unit.

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- The chair or director of the unit and dean should state the reasons why University facilities and/or resources should be utilized and indicate the benefits expected for the University from the proposed collaboration.
- If the proposal from the chair or director and dean is approved, a written agreement will be prepared by the OIPTT wherein the University will acknowledge the independent creation of the innovation. The agreement will also provide clear assurances that University facilities will not be used to support any manufacturing or marketing efforts related to the technology.
- If the employee ultimately markets the innovation, any purchases by the University must satisfy fully the requirements of the state of Washington Conflict of Interest Law.

Proposals from University departments relating to the above matters should be forwarded to the OIPTT.

8. Additional Information

For further information, contact the Office of Intellectual Property and Technology Transfer:

- Phone: 206-543-3970
- Campus mail: Box 354990
- Email: oiptt@u.washington.edu
- Web site: <http://depts.washington.edu/ott/>