



## **An IP Policy Primer**

If you're responsible for creating or revising your institution's intellectual property (IP) statement, you may be wondering where to start. You can review policies from other institutions, but without a little background, the whole process can seem overwhelming.

We created this primer to give you a place to start. We interviewed IP professionals from a variety of backgrounds, and discovered that although they didn't always agree on the elements of a good policy, their ideas frequently overlapped.

### **First, what makes a good IP policy good?**

Simply put, according to Phyl Speser, President of Foresight Science and Technology, Inc., a good IP policy encourages innovation. "An IP policy should help the innovation process run smoothly and efficiently, providing as few roadblocks possible."

Describing the ideal IP policy, Fred Erbisch, retired Director of the Office of Intellectual Property at Michigan State University, says it is, first and foremost, clear. A good IP policy removes gray areas, and spells out each player's stake, rights, and responsibilities. Erbisch says, "The policy needs to clarify such issues as who can publish, what they can publish, and under what conditions." Similarly, a good policy addresses exactly who owns what, and how the IP office will return rights to the inventor if they decide not to take a product forward. Based on his experience as an IP administrator, Erbisch believes that anticipating all possible complications prevents problems in the long run.

Donald Meyers, professor of engineering management at the University of Missouri-Rolla, says that by design a policy should motivate the inventor to use the university's systems for transferring technology. "Some people decide to do their own patenting and keep the university out of it. And sometimes that's appropriate. But even if the inventor isn't sure the university has any rights to the invention, it's often a good idea to let the university take care of the patent and administration of the license. The university usually has more credibility than an individual. In effect, there is no risk, and the rewards can be substantial."

### **So, establish some rules and stick to them no matter what?**

Not exactly. Along with clear guidelines, Erbisch says you need someone officially in charge of bending the rules. "The problem at a lot of places," he explains, "is that no one is in charge. A committee writes the policy, and the faculty senate approves it,

but the policy doesn't specify who will manage it." So even though it's important to make clear rules, you also have to have someone who can decide when to make exceptions.

**A policy is just a piece of paper.**

Maxwell Morton of Grayhead Associates concurs. "What you write in your IP policy is important. But the people running the technology transfer office are more important."

"It's not a good idea to have lawyers running the licensing office. Their business is to keep you out of trouble," he explains. "They're not going to take risks, and this approach is not friendly to innovation." Morton feels that a better model is a university technology transfer office that caters to the needs of faculty and students. "Lawyers should be service providers. The office needs to treat faculty in a way that encourages them to innovate. If it doesn't, they'll say 'Why bother?'"

**If not lawyers, then who should staff a tech transfer office?**

Phyl Speser maintains that the director of a tech transfer office should have a background in industry, since she is responsible for bridging the gap between the industrial and academic worlds. She should be a good deal-maker, with experience in licensing. Speser suggests a diverse staff, including people from different disciplines, recent graduates, and retired people. "If too many of the staff are highly experienced," he says, "they take the process for granted. It's important to keep the outlook fresh."

Tech transfer staff should see themselves as specialized professionals. They should be active members of professional organizations such as the Association of University Technology Managers (AUTM), the Licensing Executives Society, or the Federal Laboratory Consortium for Technology Transfer.

Fred Erbisch adds that the director of a tech transfer office can potentially raise the money to pay his own salary. He should be a people person, since he will work with inventors (potentially fragile people, who are bringing their life's work to the table), administrators, potential licensees, attorneys, and others.

Donald Meyers believes that in a university setting, faculty often function as entrepreneurs. "After doing a lot of talking with grantors and contractors," he says, "they begin to feel that they have the authority to decide what should and shouldn't go into the agreement. The inventor, after all is the one who sees the product's full potential, and he or she should be involved to some degree in the entire technology transfer process. However, responsibilities need to be made clear and limits drawn by strong administrators."

### **Should the technology transfer office focus on making money for the university?**

Our respondents don't think so. Morton believes that tech transfer administrators should consider long-term goals. "Policies can encourage faculty to innovate by not making the hurdles too high," he explains, "especially in schools where there's not much history of entrepreneurship. The institution should invest in building morale—in getting the faculty to *want* to invent. It should focus on sharing equity, and on building a win-win situation. It's okay to be tough with the big companies—they're used to negotiating. But with faculty and students, it's more productive to educate and encourage."

The effectiveness of a technology transfer office is closely aligned with the director's attitude. Morton asks, "Is the purpose of the policy to catch the 20% who are bad guys, or to foster the 80% who are 'good guys'? Is it a punitive document intended to prevent 'stealing' from the university, creating a police state?"

Phyl Speser declares that a director of technology transfer should be able to articulate his office's main thrust: is the office working to maximize revenue, or is it focused on faculty satisfaction, facilitating recruitment and retention? One way to judge a tech transfer office is by examining the ways in which it is evaluated: Is success measured in terms of revenue brought in? Number of deals done? Number of disclosures processed?

Speser adds that some universities, particularly land-grant institutions, focus on regional economic development. At these institutions, even if an idea is hot, if it doesn't hold promise for creating jobs regionally, it won't be supported. Speser believes that the most consistently successful technology transfer offices are those that focus on faculty satisfaction, since these offices tend to be more adventurous in the projects they will support.

### **Still, commercialization is important.**

Some faculty believe that colleges shouldn't commercialize faculty and student innovations. Fred Erbisch says that people need to be educated in the value of technology transfer—it's not just about bringing in extra dollars for the institution. "Often," he claims, "schools have something of value to society. It costs money to develop it, so they can't just give it away." He adds, "If they don't act right away, part of a process might be patented, which then limits what they can do with it. You have to educate people about why the process is important."

Donald Meyers adds, "In a university setting, commercialization means continuing research involvement for the inventor, more research contracts, and a continued flow of royalties to the inventor and the institution. And commercializing a product within a university is usually a better deal for everyone than in industry or the government."

### **Back to the policy, what should it include?**

A lot depends on the institution's culture and needs, as well as the professionalism and mission of the technology transfer office. Phyl Speser says that inventors want to know, first of all, if they're going to make any money or not, then if they're going to get credit for what they have invented. Ultimately, the policy should describe who really owns what. Here are a few of the issues it should address:

*Participation:* To whom does the policy apply? What makes someone fall under it? Is everyone employed by the university aware of the policy? Do they sign an agreement at the time they are hired? What happens if invention takes place off university property? What documentation is required upon disclosure? What triggers a disclosure? How do you know it has been triggered?

*Relationships:* Should the inventor's relationship with the technology transfer office be active or passive? Is the inventor a co-decision maker, consulted throughout the process, or should she plan to disappear from the scene after the deal is signed?  
*Timing:* Exactly when does invention occur? How much time passes from the disclosure to a decision? From the disclosure to a deal? If the process is not moving, at what point can the inventor get his work back?

*Due diligence:* Are there provisions in place to appeal a decision on an invention? Should a dispute arise later, can the inventor access records?  
*Royalties:* To whom do they apply? Who owns them? What is owned? What percentage is owned? Who keeps it?

*Follow-on:* Once the deal is signed, what is the relationship between the inventor and the other signers? Does the inventor get paid to help with know-how? What happens if there are subsequent related or unrelated deals? Is there an equivalent of a "finder's fee?" What is the inventor's involvement with licensing? Is she reimbursed for labor?

*Residuals:* Who gets residuals on the technology? When a product is patented, does the inventor give up rights of ownership on subsequent improvements?  
*Conflict of interest:* What constitutes a conflict of interest? Does the policy allow an individual to study and work at an institution while running her businesses?  
Speser recommends establishing a sequence of tasks to help add form to these elements. Use the menu below to access important considerations for the various stages of invention.

| Stage               | Key question            | Considerations  |
|---------------------|-------------------------|---|
| Pre-invention       | Is it worth inventing?  | <ul style="list-style-type: none"> <li>• Federal and other R&amp;D sponsor policies on ownership</li> <li>• State policies governing universities located in that jurisdiction</li> <li>• University policies on ownership, royalties, documentation, etc.</li> <li>• Location of work</li> <li>• Equipment and facilities being used</li> </ul>  |
| Invention           | Did I invent it?        | <ul style="list-style-type: none"> <li>• Contribution of others to concept</li> <li>• Reduction to practice of concept</li> <li>• Uniqueness of concept in light of prior and current R&amp;D by others</li> <li>• Obviousness to an informed practitioner of the field</li> <li>• Documentation in notebook signed by witness</li> <li>• Filing of all relevant university and/or sponsor disclosures</li> </ul>   |
| Determination of IP | What is being sold?     | <ul style="list-style-type: none"> <li>• In addition to a patent, what other kinds of IP might apply, such as trademark, copyright, and trade secret (for know how)</li> <li>• If the technology looks interesting are provisional patents routinely filed to hold precedence while a fuller examination is made</li> </ul>   |
| Initial assessment  | Is it worth protecting? | <ul style="list-style-type: none"> <li>• Patentability: <ol style="list-style-type: none"> <li>1. Offer search terms</li> <li>2. Check relevancy of patents used to make determination</li> </ol> </li> <li>3. Marketability: <ol style="list-style-type: none"> <li>4. Can an end-user be identified who holds acknowledged relevant needs?</li> <li>5. Are substitutable products with equivalent performance on the market?</li> <li>6. Is the technology likely to meet relevant standards and regulatory requirements?</li> </ol> </li> <li>• Produceability:</li> </ul> |

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|--------------|--------------------------|---|
|              |                          | <ul style="list-style-type: none"> <li>• Produceability: <ol style="list-style-type: none"> <li>1. Can the technology be produced or used in quantities relevant for the needs identified?</li> <li>2. Does the process technology exist today or are secondary inventions and/or process improvements required?</li> <li>3. Price Competitiveness: Can the technology be made at costs likely to make it interesting given end-user spending patterns?</li> </ol> </li> <li>• Review: <ol style="list-style-type: none"> <li>1. Can the inventor review the assessment and comment on it before a decision is made?</li> <li>2. Are there procedures in place in case of dispute between the inventor and the TLO?</li> </ol> </li> </ul>  |
| Marketing    | Who is it being sold to? | <ul style="list-style-type: none"> <li>• Who are the likely targets and why are the likely to be interested?</li> <li>• Is the feasibility of targets being tested via direct contact with gatekeepers?</li> <li>• Is the TLO taking a proactive approach to identifying targets?</li> <li>• Is marketing literature being disseminated and posted on the web?</li> <li>• Are releases being sent to trade publications and other venues monitored by potential targets?</li> <li>• Is the inventor involved in the positioning as a source and fount of technical expertise?</li> <li>• What is the marketing budget for the technology and does that budget include the inventor's labor in supporting marketing?</li> <li>• Has a term sheet been prepared and if so does it appear reasonable?</li> <li>• Once a deal is signed, if it is non-exclusive is there additional marketing?</li> </ul> |
| Negotiations | How is it being sold?    | <ul style="list-style-type: none"> <li>• Who is the negotiation team and is the inventor involved as the technical expert?</li> <li>• What are the objectives for the negotiation, which items and terms must be included in licenses or other contracts and what must be avoided?</li> <li>• Does the inventor has a consensual, consultative, or decision-making role in the</li> </ul>   |

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|                      |   | <p>consultative, or decision-making role in the process or none at all?</p> <ul style="list-style-type: none"> <li>• Who is the ultimate decision-maker for the university?</li> <li>• When are negotiations terminated and what criteria are used for termination?</li> <li>• How are sublicensing and grant-backs treated?</li> <li>• What constitutes an improvement, what is a new invention and how are improvements treated?</li> <li>• Does the inventor owe licensees access to his or her improvements?</li> </ul> |
| Post-deal compliance | Am I making money and reaping other benefits? | <ul style="list-style-type: none"> <li>• How are royalties due tracked, when are they paid, and when do you get your cut?</li> <li>• Does the inventor have access to all improvements and related technical information, and how is this monitored?</li> <li>• If CRADA or other university/licensee relationships emerge, does the inventor benefit via a finders fee, participation on the research team, etc.?</li> </ul>   |

Donald Meyers maintains that it is good policy for licensing officials to document the criteria they use in technology transfer decisions, both to aid their own decision-making processes, and to help others in the process understand how they arrived at those decisions.

According to Fred Erbis, the standard formula for sharing revenue is 1/3 for the inventor, 1/3 for the university and 1/3 for the licensee. This can vary depending on the nature of the product and the institution. He says that, although some universities promise a response to an inventor within 90 days, doing a thorough patent search can take from 12-18 months. During this period, the tech transfer office needs to keep working on the process, and keep the inventor informed. The professionals we consulted agree that clear communication is the most important element of the technology transfer process. The written policy should spell out solutions to a variety of potentially hazy issues. However, the flexibility and openness of the technology transfer staff may be even more important than what is written in the document.

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