

## **SUMMARY OF IP RIGHTS FOR INDUSTRIAL SPONSORS UNDER THE ABOR INTELLECTUAL PROPERTY POLICY**

Under Arizona Board of Regents (ABOR) Policy, Arizona's three State Universities have a great deal of flexibility in crafting research agreements with private companies. Because each contract is different and all circumstances vary, ABOR Policy generally permits the Universities to decide about appropriate terms and conditions with respect to IP rights of the research sponsor. There are only a few guidelines that must always be met.

The main concern is usually for the rights to inventions that are created by University employees under the agreement, referred to as the "Contract IP". The primary alternatives are 1) an option to an exclusive, royalty-bearing license for the Contract IP, 2) an option to a non-exclusive license or an outright non-exclusive right to use Contract IP (without right to sub-license), or 3) ownership of the Contract IP by the Sponsor. In many cases, federal & state law precludes the University from granting ownership of Contract IP to the Sponsor.

### **Below are the points to remember when contracting with ASU, UA, or NAU:**

1. A "Sponsored Project" is research that has a defined scope of work and is funded by one or more non-university entities ("Sponsor(s)") pursuant to a contract ("Sponsored Project Agreement").
2. *Initially*, federal and state law defining authorship and inventorship will determine ownership relevant to Contract IP.
3. One alternative is for the University to agree to give the Sponsor an exclusive option for a limited period of time (up to a year from disclosure) for the right of first negotiation for a license to Contract IP.
4. Another alternative is for the University to negotiate a longer-term, exclusive option instead of a license if the Sponsor requires more time to evaluate the Contract IP.
5. The one-year option period is free to the Sponsor.
6. In certain cases the University may grant a royalty-free, non-exclusive license to the Contract IP. Appropriate circumstances might include Sponsor's ownership of background IP, limited markets for the Contract IP or extremely specialized applications for the Contract IP.
7. In all cases of options or licenses, the IP rights must contain "due-diligence milestones" negotiated on a case-by-case basis, including "march-in-rights" if the Sponsor has not made a good-faith attempt to utilize the Contract IP in some appropriate manner.
8. As a final alternative, the University may also agree to assign title to the Sponsor in Contract IP. If the Sponsor requests this option, the University must first determine whether or not it is permissible under relevant Federal & State laws. Industry must bear in mind that the Universities have many (mostly public) research sponsors and that many projects are continuations of research funded by public agencies. Consequently, the following conditions must be met regarding assignment of title:
  - a. The University must determine a minimum amount of financial support, on a case-by-case basis, above which an assignment of title to University Contract IP will be considered.
  - b. A provision for monetary support must take the form of one of the following two options:
    - Payment by the Sponsor of the University's fully burdened overhead rate, payable whether new IP is developed or not..

or:

- An assignment fee of at least fifty percent of the university's total cost of the research project, payable after the University Contract IP has been created.
- c. Sponsor must agree to certain "due-diligence milestones", negotiated on a case-by-case basis, to insure commercial use of the Contract IP, together with penalties or fees for non-compliance, as outlined in ABOR Policy.
  - d. A "windfall provision", in which an appropriate payment or payment schedule is specified based on some mutually agreed upon threshold or event. The parameters of this provision, such as the threshold and the amount of any payments, will be determined on a case-by-case basis.
9. Regardless of whether the University grants an option to a license, a license or an outright assignment of title, the University always retains the following rights:
- a. A royalty-free license for its own internal use of the University Contract IP for research and educational purposes, and a provision that the University has the right to use the University Contract IP in any and all subsequent sponsored research at the University.
  - b. The right of the University to make public through publication or presentation any University Contract IP developed under the agreement. The Sponsor may be given up to 90 days to review manuscripts and secure appropriate intellectual property protection prior to actual publication or presentation.
  - c. The obligation of the Sponsor to pay patent costs.

**This Policy differs from the old ABOR Patent Policy in three principal ways:**

- It applies to all intellectual property, whereas the old policy applied only to patents.
- It clarifies the provision under which a 50% assignment fee is to be made in exchange for assignment of title. Previously, the policy was interpreted to mean that the assignment fee was to be paid upon signing the contract.
- The fully burdened indirect cost provision and due diligence provisions are clarified and the windfall provision has been added.

**This policy differs in two distinct ways from most other university IP policies:**

- There is unique flexibility to make decisions on a case by case basis so that Arizona's universities may each exercise prudent business judgement and use their own philosophies when contracting with industry.
- Most other university IP policies do not allow for any assignment of title (ownership) of IP to the Sponsor except in rare circumstances.