

Policies and Practices on Intellectual Property

A Summary

Office of the Vice President for Technology and Economic Development

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The purposes, policies and practices regarding the commercialization of intellectual property at the University of Illinois and related conflict management are described in:

- The Illinois Constitution
- State Law
- University Statutes
- General Rules Concerning University Organization and Procedure
- Vice President for Academic Affairs Policies
- Guidelines for the Licensing of University Technology
- Guidelines on Courseware Development and Distribution
- Policy on Conflict of Commitment and Interest
- Resolutions Adopted by the University of Illinois Board of Trustees

This brief summary of the purposes, policies and practices, compiled by the University's Office of the Vice President for Technology and Economic Development, is intended as a quick reference for faculty and other academic employees, department heads and directors, deans and University Officers and is not intended to be an all inclusive document. The summary is guided by frequently asked questions about the purposes for and policies that guide practices to protect and commercialize intellectual property coming from activities of faculty and staff. Each summary item is referenced to the source of authority and the complete citation of source documents are provided in the list of references.

A. Purposes. The purposes of the University of Illinois' intellectual property policy are three fold:

Primary Purpose: provide the necessary protections and incentives to encourage the discovery and development of new knowledge, its transfer for the public benefit and its use for development of the economy.

Second Purpose: enhance the generation of revenue for the University and to provide financial and reputation benefits for the creator(s).

Third Purpose: preserve the University's freedom to conduct research and to use the intellectual property it creates.

General objectives that guide the commercialization process are:

- To optimize the environment and incentives for research and for the creation of new knowledge at the University;
- To ensure that the educational mission of the University is not compromised;
- To bring technology into practical use for the public benefit as quickly and effectively as possible; and
- To protect the interest of the people of Illinois through a reasonable consideration for the University's investment in its intellectual property.<sup>1</sup>

B. Ownership. The University is the owner of all software, copyrightable works and inventions (intellectual property [IP]) created by employees in the performance of employment with the University, or created with University resources or funds controlled by the University, with the exception of copyrights in traditional academic works such as scholarly publications and course notes.<sup>2abcde</sup>

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<sup>1</sup> General Rules, as promulgated by the Board of Trustees eff. Sept. 3, 1998 ("General Rules"), Article III, Section 1

IP associated with educational tools and courseware made available online has varied (and often complex) ownership and rights of use. The University's document "Guidelines on Courseware Development and Distribution" is intended to provide a basic overview of the rights and ownership issues surrounding the development and distribution of educational software (courseware and lessonware).<sup>2e</sup>

- C. Commercialization. A primary purpose of University IP policy is the discovery and development of new knowledge and the transfer of IP owned by the University and invented by University employees for the public benefit (i.e. the effective commercialization of IP).<sup>3</sup> The federal Bayh-Dole Act permits the University to retain title to IP resulting from federally funded research. When the University elects to retain title the University is required to ensure the commercialization and public availability of the IP to US industry and to promote free competition and enterprise without unduly encumbering future research and discovery.<sup>4</sup>
- D. Offices of Technology Management. The Offices of Technology Management (OTM) for the Chicago campus and for the Urbana-Champaign campus are the University units responsible and delegated authority for evaluating, protecting and commercializing University IP and administering all relevant University policies to assure the University's purposes for commercialization and requirements related thereto under University policy and Federal law are fulfilled.<sup>5</sup>
- E. Illinois VENTURES, LLC. The University established Illinois VENTURES, LLC as the sole University-related organization authorized to provide merit-based business development services and capital resources to new companies formed for the purpose of commercializing University IP. The University further demonstrated its commitment to providing capital for university-based startup companies by authorizing the establishment of the Illinois Emerging Technologies Fund, managed by Illinois VENTURES.<sup>6</sup>
- F. IP Protection. The protection process for IP owned by the University invented by University employees begins with the obligation of inventors to fully convey information on the invention to the University's Office of Technology Management serving the campus where the employee works using the form provided by the OTM (called the disclosure form; the process of completing and filing the form is termed "disclosure"). Working with the professionals in the OTM, the inventor shall furnish information and execute documents requested and needed by the OTM for the University to fulfill its responsibilities. Any uncertainty about or questions on ownership of IP will be resolved following the completion and submission of the disclosure form to the OTM.<sup>7</sup>
- G. Key IP Disclosure Information. The following information should be provided by inventors as they submit their invention disclosures to the OTM: 1) a statement that, to the best of their knowledge, they are the original and first inventors of the disclosed invention, and 2) information about any IP of others that may be needed to

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<sup>2</sup> a. General Rules, Article III, Sections 2 and 4 – 6.  
b. University Statutes, September 5, 2003 update ("University Statutes"), Article XII, Section 3.  
c. VPAA Personnel Policies; B: Academic Personnel Policies ("Policies"); Article III, Policy on Patents and Copyrights eff. Sept. 3, 1998.  
d. Guidelines for the Licensing of University Technology, eff. Nov. 24, 1998.  
e. Guidelines on Courseware Development and Distribution, eff. June, 1999.

<sup>3</sup> General Rules, Article III, Sections 1 and 7(b).

<sup>4</sup> The Bayh-Dole Act; 35 USC § 200 – 212 (1980, as amended), and 37 CFR Part 401, et al.

<sup>5</sup> General Rules, Article III, Section 7 (k).

<sup>6</sup> Board of Trustees Resolution authorizing the formation of Illinois VENTURES, LLC, April 2000; Board of Trustees Resolution authorizing the Illinois Emerging Technologies Fund organization, June, 2003.

<sup>7</sup> a. General Rules, Article III, Sections 7(a) and (c).

b. University Statutes, Article XII, Section 3.

practice the invention. For copyrightable works, authors should submit: 1) a statement that their work is an original expression or creation of the author, and is not derived from the work of another, or 2) if the work is derived from an original work of another, a statement or other evidence that the necessary permissions have been obtained from the owner of the original work.<sup>8</sup>

- H. Commercial Agreements. All agreements regarding commercialization of University IP (including licenses, third party nondisclosure agreements, options, term sheets and so forth) must be approved by the Director of the OTM serving the campus of the employee inventor and signed on behalf of the Board of Trustees of the University of Illinois. Accordingly, academic employees or academic units may not accept payment of any kind from third parties for University IP or otherwise engage in acts of commercialization of University IP without explicit permission from the OTM.<sup>9</sup>
- I. Commercialization by Startup Company. IllinoisVENTURES may review University IP and then may choose to commercialize such IP by establishing and funding a startup company that licenses the IP from the University.<sup>10</sup> If an IllinoisVENTURES startup company avenue is not chosen, the University will seek to commercialize such University IP through other means.
- J. Eligibility for IP License. To be considered an eligible licensee for University IP all companies must demonstrate the technical and business capability to successfully commercialize the IP in a timely manner. Licenses must include clear concise performance milestones and a provision for license termination and recapture of the IP if milestones are not met. Accordingly, because it is not in the public's best interest, the University shall not license to any company that fails to demonstrate technical and business capability to commercialize the University's IP.<sup>11</sup>
- K. Distribution of Proceeds. Net revenue from the commercialization of University IP is distributed 40% to faculty and/or staff inventors, 20% to the inventor's unit and 40% to the University. Net revenue is the proceeds remaining from royalties, option fees, license fees and/or receipts from the sale of the University's equity interest in a company associated with IP commercialization after all expenses attributable to IP commercialization are deducted, including patent expenses. The University's share of net revenues supports, first, technology transfer on the inventor's campus and, second, academic and research programs as determined by the campus vice chancellor for research.<sup>12</sup>
- L. Use of University Property/Facilities for Personal/Commercial Purpose. Utilization of University resources, property or facilities for any personal purpose is prohibited.<sup>13</sup> Utilization by outside entities is permitted only under regulations formulated and administered by the appropriate Chancellor and approved by the President.<sup>14</sup> Under certain limited circumstances, University resources can be used for private purposes (i.e., non-

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<sup>8</sup> a. General Rules, Article III, Section 7(i).

<sup>9</sup> a. General Rules, Article III, Sections 7(b) and (l).

b. University Faculty Research and Consulting Act, 110 ILCS § 100/1 et. Seq. (the "Act").

<sup>10</sup> a. VPAA Personnel Policies, Guidelines for the Licensing of University Technology, Section on Business Considerations in the Licensing of University Technology.

<sup>11</sup> a. General Rules, Article III, Section 7(f).

b. VPAA Personnel Policies, Guidelines for the Licensing of University Technology, Section on Business Considerations in the Licensing of University Technology.

<sup>12</sup> General Rules, Article III, Section 8

<sup>13</sup> a. General Rules, Article V, Section 3.

b. The Illinois Constitution, Article VIII, Section 1(a).

<sup>14</sup> General Rules, Article V, Section 1(b).

University purposes), in which cases, it is also required that there be a prior written agreement with provisions that the University shall receive reasonable and fair compensation for such use.<sup>15</sup> This applies both to individuals and to companies in which faculty members or other academic employees have a financial interest. Sponsored research agreements with licensees of University IP involving use of resources, property or facilities shall reflect conditions deemed most likely to advance the commercial development of the IP and shall reflect the licensee's performance milestones that seek diligent commercial development of the IP by the licensee.<sup>16</sup>

M. Report of Non-University Activities/Conflict of Commitment and Interest Management Plans. Employees engaged in non-university employment or businesses activities are responsible for disclosing and obtaining approval from the University for such activities by annually completing and submitting a "Report of Non-University Activities." Reportable non-university activities include, but are not limited to, relationships with research sponsors and significant ownership interest or service in an executive or managerial capacity in a company doing business with the University, which includes companies that licensed University IP.<sup>17</sup> In addition to the report, a Conflict of Interest and Commitment Management Plan may be required for employees with non-university activities associated with a company that wishes to license University IP. When a potential conflict is identified, and the proposed activity is approved to proceed, the appropriate University officer may install appropriate monitoring procedures and restrictions to minimize and manage the conflict.<sup>18</sup>

### References

UNIVERSITY STATUTES, Updated: September 5, 2003; Amended: July 18, 2002 <http://www.uillinois.edu/trustees/statutes.html>  
[Accessed 01 March 2006]

GENERAL RULES CONCERNING UNIVERSITY ORGANIZATION AND PROCEDURE, Amended at Board of Trustees Meeting: September 9, 2004  
<http://www.uillinois.edu/trustees/rules.html>  
[Accessed 01 March 2006]

VPAA PERSONNEL POLICIES  
<http://www.vpaa.uillinois.edu/policies/personnel.asp>  
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ILLINOIS CONSTITUTION (Article VIII, Section 1(a))  
<http://www.ilga.gov/commission/lrb/con8.htm>  
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UNIVERSITY FACULTY RESEARCH AND CONSULTING ACT (110 ILCS 100/)  
<http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=1074&ChapAct=110%26nbsp%3BILCS%26nbsp%3B100%2F&ChapterID=18&ChapterName=HIGHER+EDUCATION&ActName=University+Faculty+Research+and+Consulting+Act%2E>  
[Accessed 01 March 2006]

U.S. CODE OF FEDERAL REGULATIONS, 35 USC 200 – 212, (1980, as amended), and associated regulations promulgated by the U.S. Government ("The Bayh-Dole Act"). Title 35, Part 2, Chapter 18, Sections 200-212  
<http://uscode.house.gov/download/pls/35C18.txt>  
[Accessed 01 March 2006]

Printed May 25, 2006  
University of Illinois  
Office of the Vice President for Technology and Economic Development

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<sup>15</sup> VPAA Personnel Policies, Guidelines for the Licensing of University Technology, Section on Private Use of University Resources.

<sup>16</sup> General Rules, Article V, Section 3; Article III, Section 7(p).

<sup>17</sup> a. VPAA Personnel Policies, Policy on Conflicts and Commitment of Interest, Article IV, Section A.

b. University Statutes, Article IX, Section 5(b).

c. The Act.

<sup>18</sup> VPAA Personnel Policies, Policy on Conflicts and Commitment of Interest, Article IV, Section C.