



Patent Policy Overview and Burning Questions!



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Property

Disclaimers



- University can own inventions made with federal funding (e.g. NIH grants)
- Bayh-Dole obligations include:
 - Disclose of inventions to agency
 - Seek patent protection for inventions
 - Diligent commercialization
 - Annual reports on commercialization efforts
 - Exclusive licensee must manufacture substantially in U.S.
 - Preference for small businesses as licensee
 - Share revenue with inventors
 - Net revenue used for educational and research mission

Section 2.0

It is the policy of the University that all INVENTIONS which are conceived or reduced to practice by INVENTORS in the course of employment, or result from professional or employment responsibilities or from work carried out on University time, or at University expense, or with SUBSTANTIAL USE OF UNIVERSITY RESOURCES under grants or otherwise, are the property of the University, effective immediately as of the time of their invention.

INVENTOR is any of the following who individually or jointly makes an INVENTION subject to the PATENT POLICY:

Faculty

Adjunct, emeritus and visiting faculty (including sabbaticals)

Postdoctoral employees and undergraduate or graduate students

Section 2.0

Inventors hereby irrevocably assign to the University all right, title and interest in and to the INVENTIONS, MATERIALS and related patent applications and patents, and shall cooperate fully with the University in the preparation and prosecution of patent applications and patents.

See: http://www.upenn.edu/almanac/volumes/v57/n01/pdf_n01/Patentpolicy.pdf

2.1.3 Inventions Outside the Policy

If an INDIVIDUAL believes that a given INVENTION was made outside the scope of the PATENT POLICY, he or she shall provide the IPA with a written statement of the circumstances leading to the making of the INVENTION. If, after reviewing the facts, the IPA determines that the INVENTION falls outside the scope of the PATENT POLICY, the IPA shall confirm in writing within thirty (30) days after receiving such written statement that the University has no right, title and interest to the INVENTION.

2.1.4 Student Inventions

Undergraduate Students:

- Generally student owns
- Except where Invention:
 - (a) is made in the course of employment at the University
 - (b) results from work or research under a grant or other sponsorship
 - (c) another Inventor has a duty to make or has made assignment to the University

Graduate Students:

University owns where Invention:

- (a) made in the course of employment
- (b) research carried out in University laboratories
- (c) results from work directly related to the graduate student's employment, training or research responsibilities at the University
- (d) research performed under a grant or other sponsorship
- (e) another Inventor has a duty to make or has made assignment to the University

Return of Inventions

Subject to the terms and conditions of Section 2.1.5.3, of the Patent Policy, University may return to the Inventors all of the University's right, title and interest to an Invention if:

(a) the University does not wish to pursue a patent application and

(b) the U.S. Government or other sponsor waives ownership rights

Conditions Regarding Return of Inventions:

- Written Agreement
- Reservation of rights to use Invention for research or educational purposes
- Reimbursement of University patent expenses
- Responsibility for future patent expenses
- The Inventor shall pay the University 15% of all Gross Compensation up to the first \$1M of Gross Compensation, and 10% of all Gross Compensation in excess of the \$1Million of Gross Compensation
- Inventor responsible for Federal reporting/compliance
- Obligation to disclose and make assignment of any improvement to University
- Any licensee must indemnify the University in connection with the Invention

Invention vs. Patent

1. Disclosure of Invention to PCI
2. Evaluation
 - Is it Patentable?
 - Does it have commercial value?
 - Are there any encumbrances?
 - MTA, SRA, Foundation, CDA
3. File Provisional Application only if appropriate
4. Market technology for 1 year. Convert to a non-provisional patent application only if invention is licensed or licensable.
5. PCT country filings (30 months) only if (a) licensee will pay or (b) only in rare circumstances (e.g. technology has an unusually high potential value)



Equity Provisions

Inventor \neq Board Member, Officer, fiduciary role

Inventor = Scientific Advisor

Inventor + family = minority ownership at and after execution of license

Inventor \neq negotiator with Penn for license to Penn IP

Inventor takes direct equity in Licensee = Inventor waives interest in Penn's equity pool (no double-dipping)

Revenue Distribution Formula for an Invention:

1. Pro Rata Share of Gross Revenues
2. Deduct direct commercialization costs, if any, and Pro Rata Share of Unreimbursed IP Expenses
3. Distribution of Investigator & Investigator Lab Shares
 - 30% Investigator
 - 12.5% Investigator Research Activity
4. Add TTO Retained Income from Non-Investigator Activities (Trademark)
5. Deduct Pro Rata Share of TTO Operating Expenses (Staffing, Facilities, etc.)
6. Distribution of Remaining Income to Department, School, & University Research Fund
 - 20% Department
 - 40% School
 - 40% URF

- **Consulting Fundamentals:**
 - Extramural consulting is permitted one day in 7
 - hours and term must be clearly stated
 - the aggregate of all consulting activities of a faculty member must not exceed one day per seven-day week during the academic year (can use a cap)
 - Compensation must be appropriate for the work performed
 - cash
 - equity cannot be offered as payment (except with a waiver)
 - Consulting work must not overlap with Penn research
 - the Scope of Work for each consulting arrangement must be clearly defined in writing, in the agreement
 - No active IP assignments to company
 - i.e., “Consultant hereby assigns”
 - Faculty (or their immediate family) may not hold significant interest in a company.