

Intellectual Property Options for Commercial Partners

Revision Date: 09/23/2016

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1. Introduction

Responsible Officials: Director of Contracts

Effective Date: December 1, 2015

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2. Scope

This procedure outlines intellectual property (IP) practices for the Office of Sponsored Programs when negotiating sponsored agreements with private sector companies. The university's [Policy on Intellectual Property 13000](#) states "in the case in which an IP is generated as a result of research funded by a private sector company under a sponsored research project, the IP rights of the sponsor as defined in the applicable clauses ("Patents & Copyrights," "Intellectual Properties," "Inventions," etc.) of the Sponsored Research Agreement (as approved by the Vice President for Research [and Innovation] or their designee and signed by an authorized officer of the University) shall take precedence over the rights of the University/inventor(s)."

3. Procedure Statement

The Office of Sponsored Programs (OSP) functions as the steward of Virginia Tech's portfolio of externally funded projects and programs and is responsible for ensuring that all agreements which formalize and govern those programs projects comply with university, federal, state, and sponsor regulations, policies, and procedures. This procedure outlines convenient, clearly defined options for licensing IP generated as part of a sponsored award. It is at the discretion of the sponsor, the principal investigator (PI), and OSP, to negotiate a mutually agreed upon IP licensing option.

4. Reason for the Procedure

The purpose of this procedure is to inform the university community and potential sponsors of the available options for licensing intellectual property (IP) generated as part of a sponsored award. Private sector sponsors are increasingly turning to universities to meet their research and development needs, resulting in demand for more flexible IP options from university partners.

5. Definitions

Background IP: Intellectual Property created and/or first reduced to practice prior to or outside the scope of the Project that is owned or controlled by Virginia Tech or Sponsor.

Intellectual Property (IP): Rights in ideas, inventions, discoveries, know how, useful designs and articles, works of authorship, computer programs, and non-patentable materials (including biological and living materials), including but not limited to patent, copyright, trade secret, and trademark rights recognized under any applicable state, federal, or common law of the United States, foreign countries, and international conventions.

IP Fee: The pre-negotiated amount paid by the sponsor in addition to the cost of research in order to secure a pre-determined set of rights to Project IP.

Project IP: IP and the legal rights therein first made or generated in the course of and as a direct result of the performance of the Project. IP refers to the novel results of research and development activities such as products, processes, machines, software, biological technology, etc. Under the university’s [Policy on Intellectual Property 13000](#), ownership of the traditional results of academic scholarship, i.e. textbooks, literary works, artistic creations and artifacts remains with the author. Thus, these results are specifically excluded from this procedure.

6. Standard IP Options for Private Sector Sponsors

Option	Description	IP Fees	Notes
Nonexclusive Internal License with an option period to negotiate a Commercial License	Sponsor receives a non-exclusive, non-transferable, royalty-free license to Project IP for internal use only, with no right to sublicense, plus an exclusive option period to negotiate a Commercial License with reasonable terms.	No upfront IP costs to sponsor; license fees are negotiated after any IP is created.	ONLY when an Exclusive Commercial License is successfully negotiated: (a) Diligence terms apply, (b) Reporting is required, & (c) Sponsor is responsible for all costs related to patent filing & maintenance.
Nonexclusive Commercial License with option period to negotiate an Exclusive Commercial License	Sponsor is entitled to a nonexclusive license to Project IP in a predetermined field of use, without the right to sublicense. Sponsor also receives an exclusive option period to negotiate an Exclusive Commercial License to Project IP with reasonable terms.	The greater of 5% of the total project cost or \$7,500.	Known investment, No IP uncertainty, set terms. ONLY when a Commercial License is negotiated: (a) Diligence terms apply, (b) Reporting is required, & (c) Sponsor is responsible for all costs related to patent filing and maintenance.

Option	Description	IP Fees	Notes
Exclusive Commercial License	Sponsor is entitled to an exclusive license to Project IP in a predetermined field of use, with the right to sublicense.	Greater of 10% of total project cost or \$15,000 per project/task, plus 1% royalty on annual net sales over \$20 million.	Known investment, Predefined terms, No IP uncertainty, Diligence terms, Required reporting. Sponsor is responsible for all costs related to patent filing and maintenance.

7. Limitations and Key Considerations

The license options above which involve upfront IP costs may be subject to certain limitations:

- Both Virginia Tech and the PI must agree to the sponsor’s preferred option.
- All Virginia Tech employees and volunteers participating in the project must opt in.
- In order for Virginia Tech to comply with IRS regulations, the project work must be conducted in space available to the university for private business use. Buildings funded by tax exempt bond issues may be subject to certain limitations.
- Industry sponsored projects using federal funding (e.g. Small Business Innovation Research grants or Small Business Technology Transfer) are subject to [Bayh-Dole Act](#) provisions.
- If Virginia Tech Background IP will be required to practice the new IP created by the sponsored award, the university will identify this Background IP and its availability for licensing to the sponsor before the research begins so that the sponsor can make a well informed decision.

Other key considerations:

- The university’s IP management agent, Virginia Tech Intellectual Properties, Inc. (VTIP), will assist with the critical process of clearly identifying and documenting the IP being licensed and the field of use.
- Regardless of the license option selected by the sponsor, Virginia Tech retains a royalty free, non-exclusive right to use Project IP for teaching, research, and educational purposes, with the right to sublicense to non-profit academic or research institutions. However, investigators and researchers should be aware that it is unlikely that the IP licensed to the sponsor can be used as a basis for further research sponsored by other companies.
- Virginia Tech investigators and researchers will likely be named as inventors on any patent applications filed by the sponsor. Inventors have an ongoing obligation to assist in the patenting process (i.e., signing documents, providing lab notes, etc.). Sponsors should consider entering into consulting agreements with inventors if a significant commitment of time is required in support of the patenting process.

8. Distribution of Sponsor IP Fees

IP Fees collected from sponsors will generally be distributed by OSP quarterly. IP Fee proceeds will be routed to residual project funds in a manner that covers the unique costs of the negotiation and management of the agreements, while adhering to the entrepreneurial spirit espoused in the university’s [Policy on Intellectual Property 13000](#), as follows:

- 50% to the PI's residual funds for use in support of further research, etc.,
- 40% to the Office of Sponsored Programs to facilitate its role in the IP program, and
- 10% to Virginia Tech Intellectual Properties, Inc. to facilitate its role in the IP program.

9. References

- [Policy 13000](#), Policy on Intellectual Property
- Federal code 37 CFR Part 401.7 or [Bayh-Dole Act](#) Small Business Preference

10. Contacts

- **Director of Contracts**
Office of Sponsored Programs
North End Center, Suite 4200
300 Turner Street NW
Blacksburg, VA 24061
540.231.1216
- **Assistant Vice President for Sponsored Programs**
540.231.5281

11. Roles and Responsibilities

- **Principal Investigators (PIs):**
 - Opt in or out of the appropriate IP options, in writing.
 - Promptly disclose IP to VTIP as required by university policy.
- **Department Administrator/Business Support Center:**
 - Assist PI in order to obtain necessary forms for selecting an option and disclosing IP, and assist OSP in gathering all the appropriate signatures.
 - Notify the appropriate OSP associate should difficulties arise with the project.
- **Office of Sponsored Programs**
 - Ensure the PI and sponsors are aware of the IP options available and ensure the appropriate approvals and signatures are on file to document the option selected.
 - As needed, assist the PI and/or department (or center) with the IP process.
 - Ensure the IP fees are collected from sponsors as agreed.
 - Distribute IP fees collected according to the terms of this procedure.

12. Dissemination

This procedure may be posted on an internet accessible site. No public restrictions are noted.

13. Approval and Revisions

This procedure was reviewed and approved on December 1, 2015 by the Assistant Vice President for Sponsored Programs after consultation with the Office of the Vice President for Research and Innovation and the university Intellectual Property Committee.

Revised April 26, 2016 to make minor edits and reflect best practices based on a survey of peer institutions with similar programs.

Revised September 23, 2016 to add a definition for IP Fee.

The official version of this information will only be maintained in an on-line web format.

Any and all printed copies of this material are dated as of the print date.

Please make certain to review the material on-line prior to placing reliance on a dated printed version.
