

INSTITUTIONAL POLICY REGARDING PATENTS, INVENTIONS AND THEIR COMMERCIALIZATION

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BOARD OF DIRECTORS
UNIVERSITY OF PUERTO RICO
INSTITUTIONAL POLICY REGARDING PATENTS, INVENTIONS AND ITS
COMMERCIALIZATION

I. INTRODUCTION

The University of Puerto Rico is an institution of the Free Associated State of Puerto Rico. The teaching, the research, and the public service are the principal functions of the University. The employees', faculties', and students' contributions cannot be exclusively measured with activities directly related to the University, but instead also be measured with activities that give way to their professional development through interactions with the industry, business, the government, and other societal institutions. Historically, the research has focused on the development of new knowledge. Nevertheless, the universities' research is currently focusing more on technology and its use towards the benefit of humanity. This knowledge or technology can have commercialization potential, and as consequence, should be treated as an active that can be used, conserved, or applied in such a way that it generates income for the inventor and the University. This reality has stimulated the growth of collaborations between academic scientists, the government, and private companies. The University of Puerto Rico supports these collaboration and mutual benefit efforts. The establishing of the property, patents, licenses, and protection of those inventions rights is a consequential with this development and with the objectives and missions of the University.

This policy provides the authority to request, evaluate, and commercialize the inventions of the faculty, personnel, students, and others that are employees or hired to work in the University of Puerto Rico. Also, this policy establishes and regulates a program to recognize, spread, evaluate, patent, and commercialize such inventions.

The University of Puerto Rico intends to protect and foment the application for inventions that can be patented and commercialized, in accordance with the laws of the Free Associated State of Puerto Rico and the Patent Laws of the United States, including the Bayh-Dole Law of 1980, as it was amended.

This policy does not apply to the rights of intellectual property related to copyright material.

II. DEFINITIONS

A. "University" refers to the University of Puerto Rico with all its Campuses, Unities, programs, and projects assigned to any of these.

B. "President" refers to the president of the University of Puerto Rico.

C. "Employees" refers to all full and part time employee, including faculty, students, administrative and professional personnel, support personnel, faculty and visiting

researchers, assistants and research assistants as well, scientists and visiting professors, or any person whose services are being paid by the University.

D. "Invention" refers to any discovery, invention, process, manufacturing article, design, model, technical development, biological material, varieties, the cultivation of any organism, or modified portion, transfer or extension of any of the just mentioned and related processes.

E. "Inventor" refers to the member or members of the university community that is responsible for the discovery or research.

F. "Gross Income" refers to all income derived from the commercialization of the patent, be it direct product, sale, license granting, dividend or any other means of income.

G. "Net Income" refers to the balance of the Net Income after discounting all expenses related to the acquirement, maintenance or protection of the patents, legal expenses and any other expense related to these.

H. "University Funds" or "Administrative funds for the University" refers to any funds administered by the University, regardless of its source or origin: federal, national, private or of any other nature, and that have as objective to support research or the erudite academic activity.

I. "Installments" includes all types of immobile or mobile property.

J. "License" refers to a patent or invention owner's permission for the use o such.

K. "Significant Financial Interest" refers to any monetary value including but not limited to the salary or any other payment or compensation for services (for example, consultation or honorary payments), investment interests and any income for intellectual property rights. This term does not include income for conferences or teaching agreements sponsored by public entities or charity.

L. "Indirect Investment or Indirect Financial Interest" refers to that one employee or student has an indirect investment or indirect financial interest if the spouse or a dependant son/daughter has economical interests in an entity or is directly or indirectly benefited by ten percent or more of the profit.

M. "Patent" is a title of property granted by the United States Patent and Trademark Office---USPTO, or similar offices in the international level, that permit the owner to exclude others from doing, utilize, sell or offer to sell, a patented invention during the time of validity of the patent.

N. "Commercialization" refers to the identification of companies or users that are interested in the use of the invention or patent or technology or related processes in

exchange of the granting of an exclusive license, non-exclusive license, equity or any other type of agreement.

III. OBJECTIVES

The Institutional Policy regarding patents, inventions and their commercialization fulfills the following objectives:

- A. Service public interest by providing a process through which the university investigation product becomes accessible to the public thanks to the dissemination of patents, the expedition of licenses and the commercialization of inventions;
- B. Foment the research and development of ideas and inventions through helping the inventors with obtaining patents, the participation in the economic benefits of the income that might result from the commercialization of patents and the establishment of a system to foment researches;
- C. Protect the University's interests, and of its employees and students, in regards to the patentable inventions that develop through the University; and
- D. Lend services to the community, private sectors and other entities through the dissemination of information about the policy and procedures, along educating, training, evaluating and helping in the process of obtaining patents, expedition of licenses and commercialization. All of this will be done through subscribed agreement between the parties and the University will charge for its services. The person or entity designated by the President will be responsible of lending these services, as well as establishing the fares.

IV. SCOPE

This policy will apply to all employees and independent contractors of the University, to full time as well as part time, including the faculty, professionals, scientists, personnel (for now on denominated as employees), students from the University of Puerto Rico and visitants, professors and visiting scientists. This policy also includes any other person that uses the University's installations for research and development of projects or those who choose to make their inventions available to the University for ulterior development or perfection.

A. Employment and Registration Conditions

This policy, depending on how it will be amended from time to time, will be considered as part of the employment conditions for each employee and the lending of services under contract to the University, including those students who are employees, and to the

registration conditions and assistantship of each student of the University.

B. Excluded copyrights

This policy does not apply to the intellectual property rights related to copyright.

V. PROPERTY OF THE INVENTION

A. Inventions that are developed in the progression of employment or studies

The following inventions are property of the University when they are developed:

1. in the laboring medium of the employee, in the normal activities inherent to the teaching, academic research, in the progression of studies, or in the employment, or
2. through the usage of funds, installations or other university resources.

All employees interested in developing an invention that could be subjected to the dispositions of this A digression will have to present a declaration of his/her intention before beginning its development and submit such to the person or entity responsible of administering the patent policy, as designated by the President of the University of Puerto Rico. The employees that do not follow this disposition could be subjected to administrative sanctions established by the person designated by the President to administer this Policy, that can include, among others, the exclusion of participation in the development of the invention, in the research or others, depending on the gravity of the consequences of the non-fulfillment.

B. Inventions developed in the progression of an independent job

The inventions resulting from research or other works that employees carry out:

1. on their time off,
2. outside of their employment's domain, and
3. without the use of the funds, installations or any other university resources.

will be individual property of the employee and will not be regulated by this policy, unless he/she yields the property to the University through an agreement between the parties.

All employees interested in sheltering his/her invention under the dispositions of this B digression will have to present a declaration of his/her intention of developing the invention as independent work before beginning its development and submitting such mentioned to the appropriate authority as assigned by the President of the University of Puerto Rico. (See Section VIII)

C. Inventions that are product of the labor sponsored by third parties

1. The inventions that come about from activities or from the research work sponsored by third parties (including government or private subsidy, sponsoring of specific inventions, consultation agreements, or others), will be considered property of the University under the previous V.A. section, unless the terms of contract, subsidy or other agreements with the sponsor modify these dispositions.

2. All person interested in making an agreement with third parties, should include the terms through which the total or partial property will be granted to the University, or when appropriate, specify the procedures of evaluation and transference of the sponsor's property to the University. These negotiations have to be done in coordination with the person designated by the President of the University. (See Section VIII.)

3. All person interested in beginning a project sponsored by third parties will submit the proposed contract with such sponsor to the appropriate authority of his/her campus and to the person or designated entity by the President to administer this Policy, for revision. These authorities: (a) will determine if the proposed agreement is consistent with the University's mission and of that particular campus and with the objectives of this policy, (b) he/she will provide the necessary help to incorporate the satisfactory terms to such agreement, and (c) will make recommendations to the official responsible of the approval of the proposals before submitting them.

D. Collaborative Research

1. Occasionally, the University's installations are used to carry out research and other activities in collaboration with personnel from other organizations and institutions. When the use of the installations and the University's resources are essential for the development of the invention, the University will claim a equitable proprietary interest in regards to such inventions.

2. The employees that plan to dedicate themselves to activities or collaborative research, will have to submit the collaborative agreement proposal to the representative of their campus and to the person or entity designated by the President to administer this Policy. These agreements will have to include dispositions that ensure the protection of the University's rights and its employees in regards to the inventions that result from the activities or research.

D. Laboratory Notebooks and other documents

The laboratory notebooks and any other document related to the development of invention or research activities will be property of the University, regardless of the medium used. All necessary records to be able to document an invention and support any patent application are also property of the University.

E. University property rights relay

1. If after evaluating an invention, the University does not desire to continue with the patent or commercialization negotiations for the invention and the inventor wishes to continue to do it on his/her own, the University's interests will be granted to the inventor, subject to the approval of the President of the University of Puerto Rico. Such transfer should be in written form and will contain a clause stating that if the invention is patented, the license issued will be free of payments for governmental purposes of the free Associated State of Puerto Rico.

2. The transfer of the inventor's rights of property will not extend to the improvements or additions to the original invention that the University, its employees, or any other individuals might make subsequently, which will be subject to the property criteria expressed in parts A, B, C, and D of this V Section.

G. No employee will be able to transfer, go beyond, grant a license or hire in regards to the rights pertinent to an invention developed under the dispositions of this V Section without the previous authorization of the President of the University.

VI. OBLIGATION TO DISSEMINATE DISCOVERIES AND INVENTIONS

A. Any person that creates discoveries or inventions under this policy will have to disseminate them immediately to the person or entity responsible of administering the patent policy, depending on the designation of the President of the University, in a term no later than thirty (30) calendar days. This requirement comes into action as soon as the person has reason to believe, based on his/her own knowledge or on information supplied by others, that the discovery or invention can be patented or commercialized. The information will be submitted in the form prepared for these effects. The inventor that does not follow this disposition might be subject to administrative sanctions established, that can include the exclusion of participating in the research, depending on the gravity of the consequences of the non-fulfillment.

B. All person that makes the discovery or that is responsible for the invention, will have to cooperate with the University at all times, offering and facilitating all necessary information and that which is required for the attainment of the objective, be it to patent or commercialize it.

C. The lack of certainty that the invention can be patented does not exempt anyone from fulfilling the dissemination requisites.

D. The dissemination will be considered confidential and will not be subject to public dissemination. Not fulfilling this disposition can make the inventor be subject to sanctions with the corresponding disciplinary measures, in accordance with the university regulations and other applicable laws.

E. The individuals will subscribe such disseminations, transfers or other documents, as necessary, in the course of the evaluation of the invention and in the obtaining or protection of the patent rights, to ensure that the title of such inventions will be property

of the University when this policy indicates that the University should possess such title.

VII. INCOME DISTRIBUTION

A. The University of Puerto Rico will receive the gross income generated by the patents and their commercialization through the President's Office and it will correspond to him to determine the way, manner and suitable processes for its administration and distribution, including the creation of rotational accounts for those ends, the accounting of the income received and of the expenses related with the obtaining, maintenance and protection of the patent, the related legal expenses, the disbursement of the expenses related to the patent, license or commercialization negotiations, the determination of the gross and net income to be distributed, its distribution to the corresponding parties and the formalization of agreements or contracts for those ends.

B. 1. When the University registers its name to a patent, license and commercializes an invention, the net income that will derive from the license or commercialization will be distributed as follows:

- a. one part will be paid to the inventor,
- b. another will be paid to his/her campus,
- c. up to a third part to a special fund that will be used by the person or entity designated by the President to administer this Policy to finance the cost of the operations related to the established functions, of such fund including the promotion, presentation and commercialization of other inventions, and
- d. the remainder, if any, for other institutional ends.

Periodically, the president of the University, after consulting with the Technological counsel of the System, will establish the participation percentages of the net income that will correspond to each person or entity that has the right to participate in such, taking in consideration that such income should be directed in fomenting the research and erudite academic activities and giving preferred consideration to the file from which the invention came from. The President will give ample dissemination to the established percentages.

2. The distribution of net income that corresponds to the campus will be used to foment the research and the erudite academic activity, depending on what the Chancellor determines.
3. A portion of the participation that corresponds to each particular campus will be able to be assigned to the inventor's laboratory or work area for the fomenting of research, depending on what the Chancellor determines, after consulting the inventor.
4. In case that there is more than one inventor of the patent, the participation corresponding to these, will be distributed amongst them depending on what they

determine between each other and agree through the signing of a contract before a notary. If the written agreement is not presented within a reasonable time period it will be understood that the dividing will be equal parts between all inventors and the University will be able to make payments under these terms.

5. In case there is more than one campus represented by the inventors, the corresponding participation to each campus will be distributed according to the agreement of the President and the Chancellors of the campuses involved.

C. The net income of the invention assigned to the University or subject to a special agreement will be distributed in accordance with the agreement's terms.

F. Inventor Participation Transfer

The inventor will be able to transfer his/her corresponding participation according to this policy, to third persons or heirs, as long as he/she follows the dispositions of the laws that apply. The inventor will have to present to the person or entity responsible of administering the patent policy, depending on how the President of the University has designated it, all notification of the executed transfer and any other written instruction. The University will not incur in responsibility for payments carried out in agreement with the last notification that the inventor received.

VIII. THE ADMINISTRATION'S RESPONSIBILITY

A. The President's Responsibility

1. Implantation and administration: The President will be responsible of the general implantation and the administration of this policy. The President will be able to delegate his/her authority to any other person or persons for them to take on the responsibilities related to the implantation and administration of this policy, be it partial or total.

2. License and commercialization expedition: The President in coordination with the person or entity that he/she designates will be able to establish a program for the selling or expedition of licenses over inventions and discoveries in such a way that the commerce of inventions is promoted and the maximum benefit is provided over the invention, for the University as well as for the inventor.

Additional guidelines for the President

1. The President will be able to designate one person or entity that will be responsible of supervising and administrating the program in the university system. Such person or entity, in consultation with the Technological System Counsel Committee (see Section XI) and the person designated in each particular campus, will prepare an annual plan for the President's approval, before its implantation, that covers the following:

a. Dissemination of information about policy and procedures

- b. Education and training
- c. Evaluation
- d. Obtaining of patents
- e. License expedition and commercialization
- f. Coordination of community service

2. The person or entity designated by the President will inform, according to what is required, but at least annually, about the dissemination of patents, license expedition, commercialization and other activities, permitting this person to be able to evaluate the efficiency of the program in the system level. The report will include a financial report.

3. When the program is implemented, the person or entity designated by the President, will be able to use, be it full or part time, employees and students of the University, independent lawyers, contractors, companies or independent organizations.

4. The management of funds and the fiscal administration of the program in the system level, including the technical assistance and the particular campuses' training, will be the responsibility of the person or designated entity and will be regulated by the university's existing regulations.

5. The University reserves the right to discontinue the negotiations of obtaining the protection of the invention at any given time during the process. The President will make this decision after receiving recommendation from the designated person or entity, whom will have to have done a detailed and pondered study of the situation and taking in consideration the Technological Counsel Committee's recommendations.

B. Chancellors' Responsibilities

The chancellors will be responsible of administrative affairs related to this policy in their corresponding campuses. Each chancellor will be able to delegate his/her authority to any person or persons for them to execute these responsibilities, be it partial or total. Additional guides for the Chancellors.

Each chancellor will be able to name a representative who will be the link to the person or entity designated by the President to administer this Policy. This representative will be responsible for facilitating the development of the program, aimed at satisfying the purposes of this institutional policy about inventions and patents. This representative, in consultation with the person or entity designated by the President, will prepare and establish a programmatic plan for the campus, that can include the following:

1. Dissemination of the information about policy and procedure to ensure that the policy and the relevant procedures are attended to by employees, students from campus and other affected individuals; to provide any additional information that might be required and to solve any controversy that might arise in the course of its implantation.

2. Education and training of employees, students and other individuals about the policy

and necessary procedures to protect the rights of these individually as well as the University's in the discoveries, innovations and inventions.

3. Responsibility: The Campus Representative will inform the chancellor, at least annually, about the activities related to the patents in that particular campus, for the Chancellor to evaluate the effectiveness of the program in terms of the fulfillment of purposes established in this policy, there will be continuous communication between the person or entity designated by the President and the Campus representative.

4. The management of the funds and the fiscal administration: the management of funds that correspond to the campus and the fiscal administration of each campus will be the responsibility of the campus and will be regulated by the existing university regulations.

IX. DISPUTE SETTLEMENTS

In case of any existing dispute regarding the property of the inventions or any other dispositions of this policy, the controversy will be submitted to the consideration of the President, who will make a final determination about the issue. The President's determination will obligate all parties.

X. CONFLICT OF INTEREST MANAGEMENT

The inventors or person that are working on any research have to notify the person or entity designated by the President about any conflicts of interest, or apparent conflict, that might result from any relationship that implies remuneration or economical benefit (direct or indirectly) for them or any of their family members. All employee should comply with the Institutional Policy about the Identification and Management of Conflicts of Interest of the Research in the University of Puerto Rico.

In the case that the University of Puerto Rico is negotiating to enter in a contract related to some of the research, inventions, patents, technological transfer, or any related process, with persons, private firms, natural or legal, in which an employee or student or any of their family members have any direct or indirect financial interest, that employee or student should inform the Chancellor of his/her campus and the person or entity designated by the President, before such contract is signed by the University.

In situations in which a conflict of interest or the appearance of one is present, the situation should be brought immediately into the attention of the person or entity designated by the President, to submit to the consideration of the President and he/she will determine how to proceed, in accordance to the applicable right.

XI. TECHNOLOGICAL COUNSEL COMMITTEE

The president will name a Technological committee Counsel for the entire system.

A. Composition

1. The President will name six (6) regular employees of the University that actively dedicate themselves to the research in scientific and technical disciplines (a representative for each one of the Mayaguez, Rio Piedras, Medical Sciences campuses, and three representatives of the remaining campuses) by the recommendation of their respective chancellors. Furthermore, the President will name two representatives of public interest. These eight (8) members will be nominated by escalating terms of three (3) years. The Director of the Legal Affairs Office of the Central Administration and the person or official of the entity designated by the President in charge of the implantation and administration of that Policy will be members without voting and *ex-officio* of the Committee. The Vice-president for Research and Technology will be a regular member with voice and vote and will be President of the Committee.

B. Functions

1. The Committee will advise the person or official of the entity designated by the President about specific cases for which orientation is solicited.
2. The Committee will advise about the necessities and problems that are brought into its attention by the person or official of the entity designated by the President.
3. The Committee will revise the situations in which problems arise about the implantation of this policy or the execution of the patent programs, expedition of licenses and commercialization, and will give recommendations to the person or official of the entity designated by the President about how to make processes better, including, if necessary, amendments to the Institutional Policy.
4. The Committee can evaluate those inventions that are brought to its attention.
5. The Committee will meet at least once each semester, will receive the current summaries of the activities of the person or official of the entity designated by the President, will advise about the implantation of the program of the university regarding patents about investments, license expeditions and commercialization and will render at least one annual report about its conclusions and recommendations to the President.

XII. AMENDMENTS

- A. The dispositions of this policy will be able to be amended from time to time. This will not affect the rights over inventions or already established payments.
- B. The amendments to this policy will be subjected to the approval of the Board of Directors, by the recommendation of the President of the University of Puerto Rico.

XIII. VALIDITY

This policy will be enforced thirty (30) days after its establishment in the Department of State and after this date the Certification Num. 18(1991-92) will become abolished and

any other policies or norms about patents or inventions that might exist or be in effect in the university of Puerto Rico, that infringe that which is disposed in this policy will have no effect.