

Policy on Exploitation and Commercialisation of Intellectual Property

January 2012

The Policy

1. INTRODUCTION

- 1.1 Intellectual Property Rights (IPR) are the legal rights associated with creative and intellectual effort or commercial reputation and goodwill. Together, the different types of intellectual property rights (patents, copyright, know-how, registered trademarks, registered designs and unregistered designs) protect a wide variety of property including literary and artistic works, computer programs, inventions, designs and marks used to identify goods and services. Intellectual property (IP) can be a valuable asset and substantial income can be generated through its successful exploitation. The nature of the University's activities, in particular its research activities, often gives rise to the creation of valuable IP which can benefit the University, its staff and students, as well as third parties.

2. OWNERSHIP OF IP

- 2.1 The following section clarifies the University's position with regard to IP ownership.

Employees

- 2.2 Under English law, notably the Patents Act 1977 and the Copyright, Designs & Patents Act 1988, IP generated in the course of a person's normal employment belongs to the substantive employing organisation. Thus, in the absence of any agreements to the contrary, the University assumes ownership of all IP generated by staff.
- 2.3 The University, however, does not usually intend to assert ownership of copyright in books, articles, lectures and artistic works, other than those which are capable of commercial exploitation, specifically commissioned by the University or are of benefit to a partner institution of the University, for example Xi'an Jiaotong-Liverpool University (XJTLU). In such cases, Level 1

Heads will decide the use of such works and, where required, will be offered training to help them exercise that judgement.

- 2.4 The University does not, however, relinquish ownership of copyright in computer software.
- 2.5 It is generally accepted that most academic staff wish to publish articles in learned journals. As a general rule the University will preserve the rights of academic staff to publish material arising from research as they think fit. In cases where commercial exploitation of the results is a possibility, however, the University requires that publication be withheld until appropriate protection can be put in place.

Employees Working at Other Institutions

- 2.6 University staff are frequently offered honorary appointments within other institutes and universities. In such circumstances, University staff should ensure through Legal Risk & Compliance that an appropriate agreement is in place between the University and the host institution for IP ownership and exploitation.

Employees Working at Partner NHS Trusts

- 2.7 University staff with clinical duties may also hold *honorary* contracts of employment with the relevant NHS partner trust. In such circumstances the ownership of IP will remain with the University. However, it should be noted the University has agreed specific arrangements with partner trusts for IP identification, ownership and exploitation. Further guidelines can be sought from the IP Manager within Partnership & Innovation.

Non-employees

- 2.8 The University offers honorary or visiting professorial positions to individuals who are not employed by the University. In such cases, individuals are usually required to transfer to the University any IP they create in the course of their honorary activities for the University, as if they were a University employee. Given the wider benefits such appointments bring to the University some discretion will, however, be allowed and agreement about ownership and exploitation of IP should be reached (through Human Resources and the IP Manager) at the time of appointment by the University.

Students

- 2.9 As part of the registration process students assign to the University any commercially-exploitable IP which they generate as a consequence of their studies or research, or which is created using University facilities. In assigning their ownership rights to the University, a student is accorded the same rights

as a member of staff, e.g. with respect to revenue sharing. It is recognised that where a student is sponsored by a third party, the terms of that sponsorship may override this position, and require the student to assign IP to the sponsoring organisation.

- 2.10 Students are able and encouraged to publish their research work in journals or dissertations, with agreement of their course director or research supervisor and subject to any appropriate prior IP protection.
- 2.11 The policy applies to students registered at the University (including any registered as University students as part of agreements with other institutions or through on-line programmes), whoever is their supervisor, course director or equivalent.
- 2.12 For the avoidance of doubt, the University does not seek to interfere in students' rights insofar as they relate to free use of lecture notes that may or may not be subject to copyright or IP generated outside their studies or research.
- 2.13 Students registered elsewhere but whose supervisors include University employees are not subject to this policy.

Third Parties

- 2.14 The University frequently enters into agreements with third parties which specify ownership of IP generated by University staff and students in research collaborations. In such cases IP may be owned by the University, the third party or jointly. In the majority of cases a lead party is mutually agreed before the collaboration is undertaken. If the collaboration is likely to produce commercially valuable IP, terms to be agreed in respect of IP will be through the Department of Legal, Risk & Compliance and may from time to time involve Partnerships & Innovation.

3. GOVERNANCE

Liverpool Intellectual Property

- 3.1 The University exploits IP in a variety of ways but the preferred route is through the Liverpool Intellectual Property (LIP) unit within the department of Partnerships & Innovation. LIP was established in order to generate the maximum societal and commercial impact of University activities through an academic focussed process of IP identification, evaluation, management and exploitation. It is the responsibility of LIP to maximise the commercial exploitation of University IP; however, it is recognised that such exploitation should not prejudice the University's core activities of research, teaching and Knowledge Exchange. LIP should also take into account the wider strategies and policies of the University in determining the exploitation route.

Operations Team

- 3.2 The Operations Team (“the Operations Team”) is the LIP working group responsible for the operational oversight and monitoring of the services provided by the Commercial Partner. It meets on a monthly basis.

Investment Panel

- 3.3 The Investment Panel (“the Panel”) is the group responsible for consideration of proposals to establish spin-out companies. It meets at the request of the Operations Team.

Commercial Board

- 3.4 The Commercial Board (“the Board”) is the group responsible for the strategic oversight of the services provided by LIP and the CP. The Board, which has a lay chair and a mixture of lay and University members, reports to the University’s Planning and Resources Committee. The Board operates under an appropriate scheme of delegation granted by the Committee and meets on a quarterly basis.

4. COMMERCIAL PARTNER

Appointment of a Partner

- 4.1 In September 2011 the University procured the IP management services of a Commercial Partner (CP) to aid the assessment of IP generated by the University through its research and other activities. The LIP and CP will work seamlessly to deliver services to University staff and students. Under the terms of the Consultancy Agreement the CP will provide IP exploitation services. Any disclosure made to the CP by the University will be held Confidential and will not affect the ownership rights to the IP. The University retains all the rights to the ownership of the IP and none will be diluted by the CP.

Timescales

- 4.2 The Operations Team will usually make a decision as to whether to support and, where appropriate, formally protect the disclosure, for example by filing for patent protection, within 8 weeks of disclosing the invention to the CP.
- 4.3 The timescale for exploitation of any given set of IP depends significantly on market conditions as well as the state of development of the IP. The discussions between LIP, the Inventor, and the CP should agree a reasonable initial timetable with regular review points. All parties involved have responsibilities in achieving successful exploitation and need to be aware that circumstances will change as the process develops. Exploitation of IP might

take the form of licensing, assignment or creation of a spin-out or start-up company.

5. EXTERNALLY-FUNDED RESEARCH PROJECTS

- 5.1 As well as disclosures from staff and students, LIP and the CP will monitor the University's externally-funded research projects to attempt to identify suitable opportunities. LIP will ensure that such monitoring is, where appropriate, carried out in conjunction with Business Gateway, the Research Support Office, the Contracts Office and academic staff to ensure consistency of approach, particularly if the monitoring involves discussions with external funders of research.

6. FURTHER DEVELOPMENT OF IP

- 6.1 It is recognised that it is often difficult to secure funding to develop research commercially as this often falls outside the funder's remit. Early development work can be the biggest hurdle to securing future commercial interest and funding for projects. In view of this, the University is seeking to establish separate funding to support those projects with the highest potential.

Investment Fund

- 6.2 There are a number of ways in which IP can be developed further to make it attractive to potential investors or customers and to improve the return for the University and the Inventors. The University intends to establish an Investment Fund to support the development of specific commercial activities. The Fund will be administered by the LIP and investment decisions will be taken by the Planning and Resources Committee following recommendations from the Board, in conjunction with relevant individuals from the University, e.g. Heads of School/Department in respect of an Inventor's time and any other resources required to undertake the project. In reaching a decision to invest in a project through the Investment Fund the University will need to be convinced not only that the project merits support, because of its commercial promise, but also that all other potential sources of external funding had been explored.

Commercial Activity Fund

- 6.3 There are a number of ways in which non-patent protectable opportunities can be developed further and exploited. The University also intends to establish its own Commercial Activity Fund (CAF). This will be administered by the LIP and investment decisions will be taken by the Planning and Resources Committee following recommendations from the Operations Team, in conjunction with relevant individuals from the University, e.g. Heads of School/Department in respect of an Inventor's time and any other resources required to undertake the project. Distribution of returns from non-patentable

commercial projects (for example, service based activities) will be agreed by the Head of School and considered in the light of the individual circumstances. Where the commercial activities are successful, following receipt of CAF investment, then the CAF investment will be repaid in full plus 15%.

7. COMMERCIALISATION THROUGH SPIN-OUT OR START-UP COMPANIES

- 7.1 Where exploitation involves the creation of a spin-out company (i.e. a company formed as a consequence of University IP) or a start-up company (a company created by a third party in which the University is invited to participate) the involvement of the Inventor in providing ongoing or future services to that company must be governed by an appropriate agreement, e.g. for the provision of consultancy or research services. Legal, Risk & Compliance will be responsible for drafting, reviewing and completing such agreements for the University.

Inventor(s) services

- 7.2 Inventor(s) are permitted to provide services (either as a director of the company or simply as an advisor) subject to the University's normal policy on consultancy and outside work activities. (See the University's Consultancy Services/CPD Policy). Inventors may also be seconded to the company subject to the normal contracting and approval processes, and in particular that it is subject in all cases to the full recovery of cost (including the use of University facilities and services). In general, such companies should not operate from University premises, except under a specific licence to occupy which would normally be in a defined incubator space.

Conflicts of Interest

- 7.3 The University's Conflicts of Interest Policy should be complied with in all circumstances. In particular, staff specifically employed to further the University's commercial activities are not normally permitted to acquire equity in spin-out companies whilst remaining as an employee of the University.

8. COMPANY DIRECTORSHIPS

- 8.1 Inventors are permitted to accept appointment to directorships in spin-out or start-up companies, subject to the agreement of their Head of School/Department and the Commercial Board. Individuals undertaking such roles should note that they are personally liable as a director and should ensure that they fully understand the legal responsibilities involved. In general, staff in senior positions and business development roles within the University should not undertake directorships as they may be conflicted with their University position.

9. DISTRIBUTION OF BENEFITS ARISING FROM EXPLOITATION

- 9.1 Returns from the commercialisation of University IP belong to the University. The University has a policy of granting a generous share of the returns to provide an incentive to the Inventors. The University only seeks to retain more of the returns based on its ownership of the IP if such returns are so substantial that it would be inappropriate as a charitable organisation for them not to be reinvested in the University's charitable objects.

Income Arising from IP Licensing, Selling or Assignment

- 9.2 The University is responsible for collecting income from third parties in respect of exploitation of IP. Where IP has been sold, assigned or licensed, this would usually take the form of milestone and/or royalty payments. As a guide to income distribution, after recovery of eligible costs such as external legal fees and distribution of any revenue sharing with the funders of the original research or third party collaborators, the surplus balance is distributed 80% to the Inventor(s) and 20% to the School of the Inventors for the first £100k and 50% Inventor(s), 20% Faculty and 30% the University over and above £100k.

Principles for Allocation of Income

- 9.3 The exact allocation of income will be determined by the Commercial Board according to the following principles:
- whether the invention was made in the course of normal duties
 - whether the circumstances were such that an invention might reasonably be expected to result from the carrying out of those duties
 - whether, because of their special responsibilities, the Inventor had a special obligation to further the interests of the University
 - the nature of his/her duties, the remuneration and other advantages which the Inventor has derived from their position with the University
 - the effort and skill which the Inventor has devoted to making the invention
 - the extent to which the invention was made jointly by the Inventor with any other person and the effort and skill which such other person has devoted to the invention

Payment of Income

- 9.4 The funds allocated to the Inventor(s) may, at the discretion of the Inventor, take the form of a personal payment (in which case payment will be made via the University payroll and cover the University's National Insurance contribution) or be paid into a nominated University account.

Determining the Inventor

- 9.5 Many people may be involved with the work that leads up to the creation of IP and the work that is subsequently undertaken to exploit the IP. However, as a result of IP law, many of those involved will not actually be an Inventor as they have not been involved at the actual point of creation.
- 9.6 Where more than one Inventor has created the IP the Inventors may decide between themselves as to how they will share the Inventors' distributed funds. Where the Inventors cannot agree as to how to share the Inventors' distributed funds, then after further consultation with the CP to establish the inventive contribution of all Inventors, the Operations Team will decide.

Allocation of Equity within a Spin-out or Company Formation

- 9.7 In those cases where the consideration for commercialisation of University IP is equity (e.g. as part of a company formation) this will be allocated on the basis of 60% to University and 40% to the Inventor(s) who will usually hold such equity in a personal capacity. Inventor(s) should note that they will be liable for any relevant personal taxes in such holdings and they are advised to seek independent legal and financial advice. The University will identify and appoint an appropriate representation on the board.

Mixture of Equity and Royalties

- 9.8 Where the University receives a mixture of equity and royalties as payment for IP, the sum of both will be combined to meet the overall allocation to the Inventor as described above.

10. ADDITIONAL CONSIDERATION

- 10.1 Where the Operations Team have decided that an opportunity is non-patentable, or where the LIP and the CP have been unable to commercialise all or any part of the IP, then upon request from the Inventor(s), the University may, subject to any previous term or conditions assign all its rights, title and interest in such IP to the Inventor(s) in return for a perpetual non-exclusive royalty-free licence with the right to sub-licence.
- 10.2 Where the Inventor(s) successfully commercialise any IP created by them, following assignment of such IP to them, then the Inventor(s) will reimburse any expenses previously incurred by the University in connection with protection of such IP, including legal costs and a 10% share of any income generated by or on behalf of the Inventor(s) from the commercialisation of such IP.

(Approved by the University of Liverpool Council on 11 January 2012)