

GUIDELINES ON FOUNDATION INTELLECTUAL PROPERTY ISSUES

BACKGROUND

Over the past several years not-for-profit foundations and associations (non government organizations, NGO's) supporting research have sought an ever increasing role in the management of University Intellectual property (IP) emanating from research that they have sponsored either in whole or in part. Increasingly grants and awards from NGO's contain provisions which require universities to share with such sponsors: 1) royalty income, 2) ownership rights in intellectual property or 3) control of licensing decisions for inventions resulting from such funding.

There are numerous examples of non-profit foundations and charitable sponsors attempting to exercise greater control of such IP. In March 2002, the Council on Governmental Relations identified nearly 40 foundations which currently seek such rights. More recently a small number of foundations have begun asserting a role in the negotiation of licenses such as the right to **review and approve** terms of licensing agreements, establishing their own standards for due diligence, and the setting of royalty rates as a condition of the award. Some foundations have begun to claim reversion rights if IP generated through their support is not "adequately or properly licensed". There are also examples of NGO's threatening to sue for return of grant funds or a share of royalties when, in their view, the royalty income for faculty and universities was "excessive".

The oft stated goal in these policy statements is to assure that inventions made with the sponsor's funds are utilized to benefit society and to further the support of research. These goals are consonant with the University's own goals of producing generalizable knowledge for the public good and furthering research. However, the desire to play a controlling role in patenting and licensing decisions signals a far-reaching and troubling intrusion into areas of University governance and interference in a role which universities are better equipped to manage through their technology transfer offices.

As a result of these developments by the NGO's, the University of Pennsylvania has formulated the following Guidelines.

GUIDELINES

The University of Pennsylvania's policy is that inventions and other research results (Intellectual Property) created under sponsored research funding are the property of the University of Pennsylvania (Article 2.0, University of Pennsylvania Patent Policy).

The University will accept grants from NGO's that contain provisions regarding intellectual property rights, but only under the following conditions:

1. The University will **not** permit the sponsor to review and approve the terms of the licensing agreement.
2. If a non-profit foundation or charitable sponsor seeks a share of royalties or other license rights in research results, the University of Pennsylvania will agree only in cases where the non-profit foundation or charitable sponsor has either:
 - Paid for all F&A (facility and administrative) costs associated with the research project, including effort of the Principal Investigator, or
 - Agreed that royalty sharing of royalties will only begin after the F&A costs have been subtracted from the sponsor's share, and provided to the University
3. Royalty sharing will only be negotiated after the existence of a marketable invention which can be properly valued.
4. Where a sponsor provides a proportionate share of the funding then the proportionality of that funding shall be taken into consideration when negotiating royalty sharing.
5. The PI will be informed about the participation of the non-profit foundation or charitable sponsor in licensing and IP rights.

Faculty and others applying for grants from the NGO sponsors should be aware that these serious issues must be addressed before accepting awards from such sponsors. Further, they are advised to seek advice from the Office of Research Services prior to beginning the grant application process to determine whether the specific NGO is known to impose restrictive IP provisions as a condition of funding. Prior consultation will avoid unnecessary effort on the part of the faculty when the terms may be unacceptable to the University.

IMPLEMENTATION

These Guidelines will be posted on the Vice Provost for Research and Office of Research Services (ORS) websites, disseminated to the Senior School Administrators (Deans, Research Deans and Senior Administrative Officials), and to School and Central Development Offices. In addition, ORS will brief the administrators in each School and will provide advice and consultation on the application of the Guidelines. ORS will track NGO awards, as they were received, to identify awards from NGOs that have troublesome IP provisions in their agreements. When such awards are received, ORS will take the lead in negotiating the IP provisions, keeping both the PI and the school administration informed. In negotiating IP provisions, the emphasis is upon flexibility and discretionary authority on the part of ORS, in order to facilitate rapid agreement and minimal delay in activating awards. The only point on which ORS would hold firm was the exclusion of the NGO from license negotiations.