



Policy on Exploitation of Intellectual Property: Principles and Processes

1. POLICY PURPOSE

Employees of the University of Edinburgh produce a tremendous amount of intellectual property (IP) in the course of their research and scholarship. Some of this IP makes a valuable contribution to the body of knowledge relating to a wide range of disciplines, but has little commercial value.

Other IP has significant potential for commercial exploitation which can be of financial benefit to both the University and the employee concerned. In addition, sponsors of research and government expect the University to make arrangements for the exploitation of IP.

The purpose of this policy document is to provide guidance and sources of advice in order to encourage the early identification of such IP and successful exploitation for the mutual benefit of all parties.

2. OBJECTIVES

The objectives of this policy are:

- To set out basic principles that govern the University of Edinburgh's approach to potentially exploitable IP arising from research and scholarship by University employees.
- To help University employees identify potentially exploitable IP at an early stage and indicate sources of advice and guidance.
- To set out the process to be followed in order to implement effective exploitation of potentially exploitable IP for the benefit of the University and its employees.
- To ensure that the rights and expectations of sponsors of research are protected and met.

This policy applies to IP capable of industrial or commercial application. It does not apply to IP in teaching materials, books, learned articles and artistic and musical works or other works excluded from the definition of Intellectual Property (see 'Terminology' below).

3. PRINCIPLES

- 3.1. The University's fundamental position is that research should be published openly and widely, in order to make research findings freely available to the public. For most research, where there is no potentially exploitable IP and no other barrier to publication, research findings should be published as normal and with minimum delay. However, where there is potentially exploitable IP, publication and dissemination may be deferred for a short time pending decisions on patent protection and exploitation. This may delay publication, including in written abstract or oral forms, but will not prevent it once the appropriate protection arrangements have been made. Such protection can, if necessary, be arranged in a few weeks. Nothing in this guidance is intended to detract from this statement of the University's fundamental position.
- 3.2. The University supports the Research Councils UK *Common Principles on Data Policy* and nothing in this policy is intended to contradict those Principles.
- 3.3. Under UK law, IP generated by employees of the University in the course of their employment is the property of the University unless otherwise agreed.
- 3.4. IP created by employees outside the course of their employment belongs to the employee concerned except where University resources have been used to create the IP. Where University resources have been used to create the IP (other than incidentally) the employee will be deemed to have agreed to transfer such IP to the University.
- 3.5. The University considers potentially exploitable IP to be a valuable asset that should be protected and exploited in the most effective way to ensure that it reaches the market place and the optimal financial return is enjoyed by the University and its employees.
- 3.6. Throughout the exploitation process, due recognition will be given to the Inventors (see 'Terminology' below).
- 3.7. All potentially exploitable IP should be identified by the Inventor and disclosed to the University as early as possible in order to avoid loss of patent protection due to the IP being publicly available before a patent application is filed.
- 3.8. The University is responsible for arranging and paying for the protection of IP.
- 3.9. The financial benefit from the exploitation of IP after deduction of the costs of protection will be shared between the University corporate, the Schools from which the IP originates and the Inventor.
- 3.10. The terms and conditions of the sponsors of the research giving rise to the IP must be complied with.
- 3.11. Conflict of interest, whether actual, potential or perceived, is a serious matter which can arise frequently in exploitation matters. The University's Policy on Conflict of Interest should be strictly adhered to for the protection of the individuals and the University's reputation and credibility.
- 3.12. The University, as owner of the IP, is responsible for determining the exploitation route and the related terms and conditions in consultation with the Inventor.

- 3.13. Tangible research materials embodying potentially exploitable IP and created in the course of research activities should only be transferred outside the University under the terms of a material transfer arrangement negotiated in accordance with University guidance.
- 3.14. IP created by a student who is not an employee of the University belongs to the student concerned. Students will be asked to assign IP to the University where this is necessary to allow the University to comply with the conditions of the sponsors of the research and/or exploit the IP. In such cases students will be offered revenue-sharing arrangements generally in line with those offered to University employees (see para 6.2.5 below) and are encouraged to seek independent advice.
- 3.15. Licensing
- 3.15.1. Licensing aims to ensure effective exploitation of IP. IP will normally be licensed, not assigned, to third parties (including new companies formed to exploit the IP). Assignations of IP may be granted where this is the most effective way of exploiting the IP subject to adequate safeguards.
- 3.15.2. Licence arrangements will be restricted to specific, existing elements of IP which can be readily identified. 'Pipeline' agreements giving third parties rights to IP to be developed in the future will not normally be entered into. Options to acquire rights to future IP and improvements may be agreed subject to additional payments being made.
- 3.15.3. In order to ensure maximum exposure of IP to the market place, licences will generally be non-exclusive and relate to specific fields of application and/or geographical territories. Exclusive arrangements may be made where this optimises exploitation of the IP, for all applications, on a world-wide basis.
- 3.15.4. Licensing arrangements must always provide for the University's future use of IP for its core activities of academic research and assist the University's wider national and international objectives as well as enriching society.
- 3.15.5. The University encourages its employees who wish to establish start-up or spin-out companies based in whole or in part on the University's IP, to seek licences to such IP.
- 3.15.6. Both the University and its employees are expected to apply reasonable judgements and to act reasonably in relation to the identification of IP and its exploitation.

4. TERMINOLOGY

For the purposes of this policy, the following terms are defined below.

Distributable Payments	Payments (including, but not limited to, royalties) and/or shares in spin-out companies received by the University in exchange for rights to IP after deduction of costs incurred by the University in connection with protecting and exploiting the IP concerned.
ERI	Edinburgh Research and Innovation Limited and its employees and advisers within Colleges and Schools with a professional affiliation to ERI.

Exploitation	Action taken to ensure that appropriate Inventions and IP reach the market place and the optimal financial return is enjoyed by the University and its employees. Following establishment of the appropriate means of protection (e.g. patenting), exploitation will typically involve licensing, company formation or other technology transfer measure.
Intellectual Property (IP)	Inventions, computer software, data, databases, technical know-how and trade secrets. Large banks of new data collected in the course of research are also covered here only if they may reasonably be considered to have potential for exploitation. This policy does not include IP in teaching materials, books or learned articles, artistic or musical works, sound recordings, films or broadcasts, works protected by design right, trademarks (all of which are regarded in this Policy as 'creative works') except to the extent that any creative works form part of an Invention.
Invention	A novel or useful idea relating to processes, machines, manufacturing or compositions of matter. It would include such things as new or improved devices, systems, computer software, circuits, chemical compounds, biomedical materials, mixtures etc. In lay terms, it is probable that an invention has been made when something new or useful has been conceived or developed, or when unusual, unexpected or non-obvious results have been obtained and can be exploited. Inventions will most commonly be developed through science, engineering and clinical research, but can arise from any area of academic research or scholarship.
Inventor	An employee who makes an Invention or creates IP
Potentially Exploitable IP	Any Invention or IP with potential for commercial exploitation and which might be worth protecting (e.g. by patenting).

5. ADVICE AND SUPPORT

- 5.1. ERI and affiliated employees specifically appointed for these purposes in Colleges and Schools are experienced in the protection and exploitation of IP and provide services to the University and its employees on IP and related issues. These services include financial, legal and administrative advice and support regarding IP issues; identification of Potentially Exploitable IP; and the legal and practical issues relating to patenting, copyright protection, licensing and company formation. These services include both funding and administering the filing of patent applications on behalf of the University and its employees.

Information about ERI and contact details are available at:

www.research-innovation.ed.ac.uk

6. PROCESS

6.1. Disclosure and Assessment of Inventions

- 6.1.1. All University employees are expected to apply reasonable judgement as to whether an Invention or IP is potentially exploitable, and should, therefore, be disclosed to the University (through ERI or through specifically recognised affiliated employees in Schools or Colleges).
- 6.1.2. Employees of the University may not use University resources including facilities, employees, equipment or confidential information for personal gain including making Inventions or IP which do not belong to the University. If University resources have been used to create Inventions or IP (other than incidentally) the employee will be deemed to have agreed to transfer such Inventions or IP to the University.
- 6.1.3. Disclosure of inventions to ERI should be as early as possible, but normally at least four weeks prior to any planned or proposed disclosure to any third party, including at meetings, conferences, etc., to enable suitable steps to be taken to assess and protect such Inventions or IP prior to disclosure since it is not possible to apply for a patent after disclosure.
- 6.1.4. ERI, advised where relevant by affiliated employees, will assess such disclosure normally within three months as to their patentability and provide an initial assessment of the most suitable exploitation route to be discussed with the Inventor. This assessment will include consideration of any requirements of the sponsors of research.

6.2. Outcomes

- 6.2.1. If a view is reached that the Invention or IP is not potentially exploitable or a decision is taken not to proceed with patenting or other commercial exploitation and the Inventor wishes to pursue the matter personally, ERI, on behalf of the University, will normally, assign ownership of the Invention or IP to the Inventor subject to any reasonable terms and conditions necessary to protect the University e.g. in relation to the requirements of the sponsor of the research which gave rise to the Invention or IP.

If a decision is taken to proceed:

- 6.2.2. Decisions regarding the exploitation route and negotiations regarding exploitation will be conducted by the University, as owner of the IP, under the auspices of the Director of Corporate Services and/or the Director of Research Services, as appropriate. The Head of School and/or Head of College will be consulted at this stage, where appropriate. Individual Inventors will be fully consulted, but because of the potential for conflict of interest, the final decision will rest with the University.
- 6.2.3. ERI will be responsible for decisions regarding patent protection, filing of patent applications and related IP protection methods at its own cost unless otherwise agreed in specific cases.
- 6.2.4. Inventors are expected to co-operate fully with actions required by the exploitation process and will be given due recognition for this.

- 6.2.5. Where the chosen exploitation route is a licence to an existing company, ERI will prepare non-confidential disclosures, seek to identify potential licensees, negotiate and draft licences, receive and distribute Distributable Payments made in accordance with the University policies. Unless agreed otherwise the first Fifty Thousand Pounds of Distributable Payments will be distributed as follows:

Up to and including £50,000	
Inventor(s)	50%
Inventor's School	30%
University corporate	20%

Over £50,000	
Inventor(s)	35%
Inventor's School	35%
University corporate	30%

- 6.2.6. Where the proposed exploitation route involves the formation of a new company, the following process will apply:
- 6.2.7. A brief case will be prepared by ERI setting out why this is the preferred exploitation route, what other options have been considered, the future role in the company of the Inventors, and an outline business plan.
- 6.2.8. This case will be evaluated by a panel convened by the Director of Corporate Services consisting of the Director of Research Services, the Director of Finance and appropriate Head of College and/or School and at least one external member knowledgeable about industry (or his/her/their nominee(s)). If the panel approves the formation of the company, it will instruct ERI to assist in the company formation, setting out such conditions, if any, that might be appropriate. If the panel rejects the proposal to form a new company, it will set out its reasons and, if appropriate, invite ERI to submit a further case.
- 6.2.9. If approval is given for a company to be formed, it will normally be on the basis that any equity holding at the outset belongs to the University and to the founders of the company in proportions to be agreed at the time having regard to the different contributions being provided. To avoid potential tax liabilities, the founders will pay the spin-out company the market value of the shareholding allocated to them subject to the provisions of sub-clause 6.2.10. Shares allocated to the University will be in payment (or part-payment) of the IP being licensed to the company and the University will not make any payment to the company for such shares. If the licence to the IP is non-exclusive or it involves a mixture of shares and payments, then the proportion of the shares passing to the University can be reduced; taking shares by the University does not preclude it from also requiring monetary payments (eg in the form of royalties) from the company if this is appropriate in the circumstances. Similarly in certain cases, it may be appropriate for the

University to receive only monetary payments from the company and not receive any shares.

6.2.10. Founders who are employees of the University, and who would be entitled to a share of the Distributable Payments under the University's revenue sharing policy will be transferred an appropriate number of the University's shares in the company as their share (or part of their share) of Distributable Payments. Founders may in addition be allocated shares for other contributions they make to the company. In ascertaining the appropriate number of shares to be received under the University's revenue sharing policy, regard will be had to the overall number of shares being allocated to the employee for his/her various contributions to the company. Founders allocated shares under this sub-clause 6.2.10 need not pay for the shares allocated in this way.

6.2.11. In the case of a company formation, both the University and founders shall agree on any future dilution in their respective share holdings as a result of recruitment of company management and financial investment. A fundamental principle is that the University and founders should be treated equally.

6.2.12. Abandonment of patent

If the University decides to abandon patent application(s) or patent(s) that have been filed, the University will normally offer to the Inventor(s) the opportunity to take over the patent(s) and exploitation arrangements subject to any reasonable terms and conditions necessary to protect the University.

7. DECISIONS AND REVIEW

7.1. Ownership

7.1.1. In the event of a dispute between the Inventor and the University regarding ownership of IP, the matter shall be referred to an independent expert to be agreed between the Inventor and the University.

7.1.2. If agreement on the choice of independent expert is not reached within thirty days, the expert shall be appointed by the President of the Law Society of Scotland.

7.1.3. The expert's fee shall be payable by the University in the first instance but shall ultimately be the responsibility of the party held by the expert to be the owner of the IP. If the decision is that the University is the owner, the expert's fee shall be deemed to be a cost incurred in protecting and exploiting the IP concerned.

7.2. Exploitation

7.2.1. Final decisions relating to exploitation of the IP, including the terms and conditions of licensing arrangements, rest with the Director of Research Services or his/her nominee. Final decisions relating to company formation rest with the Director of Corporate Services or, in his absence, his/her nominee. Where an employee does not agree with a decision, they should seek to resolve the difference through the process set out below. It is

expected that almost all cases will be capable of being resolved through discussion and informal processes.

7.3. Informal Resolution

- 7.3.1. If an Inventor disagrees with the decision he/she should try to resolve the matter with the decision-maker (i.e. the Director of Research Services, the Director of Corporate Services or their delegate). Either party may give consideration to involving others to help this process. For example, the Inventor may seek advice from a colleague with relevant experience or expertise within their School or from another part of the University and either party may consider seeking external, independent advice, or proposing the use of mediation.

7.4. Formal Review

- 7.4.1. In the exceptional situation where no mutually acceptable resolution can be reached and the Inventor wishes to seek review, they should raise the issue formally by setting out their complaint in writing and addressing it to their line manager, within two weeks of (a) the University notifying the Inventor of its decision or (b) a failure to agree. The Inventor's written complaint should include a summary of the issues, specify the outcome they are seeking and set out what action the Inventor has taken to resolve the issue informally.
- 7.4.2. The manager who has received the complaint will arrange to appoint a reviewer to consider the matter, in consultation with ERI. The reviewer will normally be at least at a level equal to the Inventor's line manager, will have appropriate knowledge/expertise in the exploitation of IP, will have had no prior involvement in the case, and their appointment should not give rise to any potential conflict of interest. The Inventor and the original decision-maker will have the opportunity to challenge the selection of the reviewer where they believe that there is a conflict of interest.
- 7.4.3. The reviewer will write to the original decision-maker, letting them know that a complaint has been submitted enclosing a copy of the written complaint.
- 7.4.4. The reviewer will confirm to the Inventor and the original decision-maker how they intend to carry out the review. As a minimum this will involve meeting with the Inventor, meeting with the decision-maker or their nominee and considering relevant documentation.
- 7.4.5. While the matter is being reviewed, neither party may take action which would jeopardise potential exploitation of the IP.
- 7.4.6. The Inventor has the right to be accompanied to meetings as part of the formal review process, by either a workplace colleague or a trade union representative whose role is to act as their witness and support person at the meeting.
- 7.4.7. The reviewer will summarise their findings and any recommendations in a written report and forward it to the manager who appointed them as soon as possible and normally within four weeks of the complaint. The reviewer will either:
 - a) confirm the original decision, or

- b) recommend an alternative solution
- 7.4.8. The manager will inform the Inventor and the original decision-maker of the outcome in writing. Where an alternative solution has been recommended, the decision-maker will be asked to confirm to all parties whether or not they are willing to implement that solution, and if not, to give reasons.
- 7.4.9. The Inventor will be notified of their right to appeal against the reviewer's finding and/or the decision-maker's response. If the Inventor is not satisfied, they may appeal in writing through the Appeals process in the University's grievance procedure.

8. POLICY HISTORY

This policy was approved by University Court on 4th November 2013 and takes effect from that date. It replaces and supersedes sections 3 (IPR) and 4 (Royalties) of Chapter 5.7 of the University's Staff Administration Manual dated February 1990 (Procedures for Research Contracts).