SP.18.13 Proposed Revision to the General Rules, Article III – Intellectual Property

BACKGROUND

University of Illinois Statutes provide for senate review of proposed changes to the intellectual property portions of the General Rules (Article III), unlike other revisions to the General Rules, which are handled by the Board of Trustees, in consultation, via the President, with the University Senates Conference (Statutes, Article I, Section 6 and Article XII, Section 5). University Senates Conference (USC) sent a set of proposed changes to Article III of the General Rules to the Senates in April 2018, which the Urbana-Champaign Senate considered at its April 30, 2018 meeting. At that time, the Senate Committee on University Statutes and Senate Procedures recommended that the Senate defer action to a later date so that concerns raised by the Senate Committee on General University Policy and the Office of the Vice Chancellor for Research could be sufficiently addressed.

USC has revised this proposed set of changes to Article III of the General Rules, retaining nearly all of their April 2018 alterations, while including additional changes based on the concerns raised in April by the Urbana-Champaign and Chicago Senates. In April, USC sent along their proposal with this introduction:

These revisions concern primarily two changes: (1) changing the role of the vice chancellor for research to the new vice president for economic development and innovation (shifting the responsibilities from the university level to the system level); and (2) incorporating the new system/university language being adopted across all the governing documents.

As explanatory context, here are the closing sections of a draft preamble or preface being written to accompany these changes:

Although there has been no formal legal name change to the institution, as of May 20, 2016, the University of Illinois has adopted the organizational structure and nomenclature of a system. The term “system” recognizes that there are separate universities that share an overarching strategic framework, are supported by certain shared administrative functions, and are overseen by a single governing board. The three universities include the University of Illinois at Urbana-Champaign; the University of Illinois at Chicago and its affiliated regional campuses in Peoria, Rockford, and the Quad Cities; and the University of Illinois at Springfield.

Accordingly, when describing the institution as a whole, including the three universities, the collective shall be referred to in this document (and other governance and administrative documents) as either the “University of Illinois,” the “University of Illinois System,” the “U of I System,” or the “system.” The adjectival form for such references is “system-wide.”
The University of Illinois offices that provide central administrative services are referred to as “system offices” and staff within these offices are referred to as “system administration” or “system leaders.” The adjectival form for references to such services or staff is “system-level.” To avoid confusion, these offices are not referred to as the “system.”

The individual campuses referenced above will be referred to independently as “university” and collectively as “universities.”

This change reflects the broader move away from the idea of a unitary University of Illinois, directed by a president and vice presidents, with three campus locations, to a system comprising three universities, each with its own chancellor (who is also a vice president). The emphasis may seem subtle, but is significant. Over the totality of the governing documents this reflects devolution of certain responsibilities from the system to the respective universities; and reserving the role of the system to those cases where there is a clear benefit to implementing policies across the three universities (i.e., system-wide).

Similar system/university language is also being developed for the Statutes, and those changes will be coming to the senates soon.

In addition to the preceding changes from April 2018, we have been asked to consider the following additional modifications:

- Lines of consultation have been clarified and made more robust:
  - the phrasing “vice chancellor for research, in consultation with the vice president for economic development and innovation” has been added to Sections 7 and 8.
  - the sentence “Should the units fail to agree mutually on a decision, the vice chancellors for research, in consultation with the vice president for economic development and innovation, shall determine the division.” has been added in lines 385-87.
  - the role the vice president for economic development and innovation is better specified in Section 8.
- University Administration has been distinguished as the “system offices” in Section 8.
- Additional clarifying references in lines 156, 350-51, and 372.
- Additional rephrasing to clarify the use of “system” throughout.

USC has determined that, unlike amending the University Statutes, revisions to the General Rules only require a single reading.

RECOMMENDATION
The Senate Committee on University Statutes and Senate Procedures recommends approval of the following revisions to the General Rules, Article III. Text to be added is underscored and text to be deleted is struck through.

PROPOSED REVISIONS TO THE GENERAL RULES, ARTICLE III

1 ARTICLE III. INTELLECTUAL PROPERTY
SECTION 1. OBJECTIVES

Technical information, inventions, discoveries, copyrightable works and other creative works that have the potential to be brought into practical use may result from the activities of University of Illinois System employees in the course of their duties or through the use, by any person, of University system resources such as facilities, equipment, or funds.

The first purpose of this intellectual property policy is to provide the necessary protections and incentives to encourage both the discovery and development of new knowledge, its transfer for the public benefit and its use for development of the economy; a second purpose is to enhance the generation of revenue for the University system and to provide financial and reputational benefits for the creator(s); and a third purpose is to preserve the University’s freedom to conduct research and to use the intellectual property created by that research or pursuant to an institutional initiative. The University system is guided by the following general objectives:

(i) To optimize the environment and incentives for research and for the creation of new knowledge at within the University system;

(ii) To ensure that the educational mission of the University system is not compromised;

(iii) To bring technology into practical use for the public benefit as quickly and effectively as possible;

(iv) To protect the interest of the people of Illinois through a reasonable consideration for the University’s system’s investment in its intellectual property.

SECTION 2. DEFINITIONS

(a) Intellectual Property. The term “intellectual property” is broadly defined to include inventions, discoveries, know-how, show-how, processes, unique materials, copyrightable works, original data and other creative or artistic works which have value. Intellectual property includes that which is protectable by statute or legislation, such as patents, registered or unregistered copyrights, registered or unregistered trademarks, service marks, trade secrets, mask works, and plant variety protection certificates. It also includes the physical embodiments of intellectual effort, for example, models, machines, devices, designs, apparatus, instrumentation, circuits, computer programs and visualizations, biological materials, chemicals, other compositions of matter, plants, and records of research and experimental results.

(b) Traditional Academic Copyrightable Works. “Traditional academic copyrightable works” are a subset of copyrightable works created independently and at the creator’s initiative for academic purposes. Examples may include class notes, books, theses and dissertations, educational instructional materials and software (also known as courseware or lessonware) that the creators may design for courses they teach, articles, non-fiction, fiction, poems, musical works, dramatic works including any accompanying music, pantomimes and choreographic works, pictorial, graphic and sculptural works, or other works of artistic imagination that are not created as an institutional initiative (as specified in Section 4(a)(2) below).
Creator. "Creator" refers to an individual or group of individuals who make, conceive, reduce to practice, author, or otherwise make a substantive intellectual contribution to the creation of intellectual property. "Creator" includes the definition of "inventor" used in U.S. patent law for patentable inventions and the definition of "author" used in the U.S. Copyright Act for copy written works of authorship.

(d) University System Resources Usually and Customarily Provided. When determining ownership and license rights in copyrightable works, "University system resources usually and customarily provided" includes office space, library facilities, ordinary access to computers and networks, or salary. In general, it does not include the use of students or employees as support staff to develop the work, or substantial use of specialized or unique facilities and equipment, or other special subventions provided by the University system unless approved as an exception.

Exceptions are expected in units where the tradition is to provide subvention to some faculty in the form of graduate assistants to help prepare traditional academic copyrightable works. Exceptions are also expected in situations where creators use University system-provided facilities and resources in the creation of works of artistic imagination, for example, use of studios, pottery wheels, or kilns for the creation of paintings, sculpture or ceramics; use of high end computer hardware and software in the creation of artistic graphical images; and so on. Other individual exceptions may be approved on a case-by-case basis [see section 7(k)].

SECTION 3. APPLICATION

This policy is considered a part of the conditions of employment for every employee of the University of Illinois System, and a part of the conditions of enrollment and attendance at the University by its students. It is also the policy of the University system that individuals (including visitors) by participating in a sponsored research project and/or making significant use of University system-administered resources thereby accept the principles of ownership of intellectual property as stated in this policy unless an exception is approved in writing by the University system. All University such creators of intellectual property shall execute appropriate assignment and/or other documents required to perfect, confirm, or determine ownership and rights as specified in this policy.¹

This policy applies only to intellectual property disclosed after the effective date of the policy (September 3, 1998).

¹The creator’s obligation to assign rights to the University system is subject to the provisions of the Illinois Employee Patent Act, which provides in part (see 765 ILCS 1060/2(1)):

A provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee’s rights in an invention to the employer does not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee’s own time unless (a) the invention relates (i) to the business of the employer, or (ii) to the employer’s actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of the state and is to that extent void and unenforceable. The employee shall bear the burden of proof in establishing that his invention qualifies under this subsection.
SECTION 4. COPYRIGHTS

(a) Ownership. Unless subject to any of the exceptions specified below or in Sections 4(b) and 4(c), creators retain copyright rights to traditional academic copyrightable works as defined in Section 2(b) above. (See, however in particular, Section 4(b)(2) below.)

The University of Illinois System shall own copyrightable works as follows, and by operation of this Article, such works are hereby assigned to and the property of the University system:

(1) Works created pursuant to the terms of a University system agreement with a third party, or

(2) Works created as a specific requirement of employment or as an assigned University duty that may be specified, for example, in a written job description or an employment agreement. Such specification may define the full scope or content of the employee’s University employment duties comprehensively or may be limited to terms applicable to a single copyrightable work.²

(3) Works specifically commissioned by the University system. The term “commissioned work” refers to a copyrightable work prepared under an agreement between the University system and the creator when (1) the creator is not a University system employee, or (2) the creator is a University system employee but the work to be performed falls outside the normal scope of the creator’s University system employment. Contracts covering commissioned works shall specify that the author convey by assignment, if necessary, such rights as are required by the University system.

(4) Works that are also patentable. The University system reserves the right to pursue multiple forms of legal protection concomitantly if available. Computer software, for example, can be protected by copyright, patent, trade secret and trademark.

(b) University System Rights in Creator-Owned Works

(1) Traditional academic copyrightable works created using University system resources usually and customarily provided are owned by the creators. Such works need not be licensed to the University system.

(2) Traditional academic copyrightable works created with use of University system resources over and above those usually and customarily provided shall be owned by the creators but licensed to the University system. The minimum terms of such license shall grant the University system the right to use the original work and to make and use derivative works in its internally administered programs of teaching, research, and public service on a perpetual, royalty-free, non-exclusive basis. The University system may retain more than the minimum license rights when justified by the circumstances of development.

(c) Student Works. Unless subject to the provisions of paragraph (a) or provided otherwise by written agreement, copyrightable works prepared by students as part of the requirements for a University degree program are deemed to be the property of the student but are subject to the following provisions:

²Provisions (1) and (2) above define those works that fall within the scope of University employment as that term is used in the definition of “work made for hire” in the U.S. Copyright Statute (see Title 17, USC, Section 101).
(1) The original records (including software) of an investigation for a graduate thesis or dissertation are the property of the University system but may be retained by the student at the discretion of the student’s major department.

(2) The University of Illinois System shall have, as a condition of awarding the degree, the royalty-free right to retain, use and distribute a limited number of copies of the thesis, together with the right to require its publication for archival use.

(d) Copyright Registration and Notice. University System-owned works shall be protected by copyright notice in the name of the Board of Trustees of the University of Illinois. Such copyright notice shall be composed and affixed in accordance with the United States Copyright Law. Registration of the copyright for University system-owned works shall be in accordance with the operational guidelines and procedures established by the vice chancellor for economic development and innovation, pursuant to Section 7(k), below for research on each campus. The University system may also decide to release a work to the public domain and if so, should so indicate.

(e) University Press Publications. The University Press shall be responsible for copyright registration of works owned by the University system and published by the Press and for administering contracts with its authors. Such contracts shall define the rights and obligations of the author and the University system and shall be processed as other University system contracts.

(f) Compliance with the Copyright Act. University System units that administer activities involving any usage regulated by the Copyright Act are responsible for knowing applicable regulations, monitoring their continuing evolution, and conducting their programs in full compliance with the applicable laws and regulations.

SECTION 5. OTHER INTELLECTUAL PROPERTY

Ownership. Except as otherwise specified in this Article or by the University of Illinois System in writing, intellectual property shall belong to the University system, and by operation of this Article is hereby assigned to and the property of the system, if made: (1) by a University system employee as a result of the employee’s duties or (2) through the use by any person, including a University system employee, of University system resources such as facilities, equipment, funds, or funds under the control of or administered by the University system. (See also Section 4(a)(4) above.)

SECTION 6. TRADEMARKS

Trademarks and service marks are distinctive words or graphic symbols identifying the source, product, producer, or distributor of goods or services. Registration of trademarks or service marks, at the state or federal level, shall be approved by the appropriate campus or University system level officer. Proceeds received from commercialization of a registered or unregistered mark that is related to an intellectual property license for associated intellectual property will be shared with all creator(s) of the associated property as specified in Sections 8(b) and 8(c) below. For proceeds received from commercialization of a mark that is licensed independently and is not directly related to an intellectual property license, the share that would normally be distributed to the creator(s) will be assigned to the unit(s) from which the trademark or service mark originated. Except as provided herein or subject to prior written agreement between the creator(s) and the University
system, the University system will not share the proceeds from commercialization of a mark
with the individual(s) who created the mark.

SECTION 7. INTELLECTUAL PROPERTY ADMINISTRATION

(a) Disclosure. All intellectual property in which the University of Illinois System
has an ownership interest under the provisions of this policy and that has the potential to be
brought into practical use for public benefit or for which disclosure is required by law shall be
reported promptly in writing by the creator(s) to the designated campus university officer
through the appropriate unit employee using the disclosure form provided by that unit. The
disclosure shall consist of a full and complete description of the subject matter of the discovery
or development and identify all persons participating therein. The creator(s) shall furnish such
additional information and execute such documents from time to time as may be reasonably
requested.

(b) Evaluation and Exploitation Decisions. After evaluation of the intellectual
property and review of applicable contractual commitments, the University system may
develop the property through licensing, to an established business or a start-up company, may
release it to the sponsor of the research under which it was made (if contractually obligated to
do so), may release it to the creator(s) if permitted by law and current University system policy,
or may take such other actions considered to be in the public interest. Exploitation by the
University system may not involve statutory protection of the intellectual property rights, such
as filing for patent protection, registering the copyright, or securing plant variety certification.
All agreements regarding intellectual property must be executed by the vice president/chief
financial officer and comptroller and attested to by the Secretary of the Board of Trustees or
their his or her designees.

(c) Questions Related to University System Ownership. In the event there is a
question as to whether the University system has a valid ownership claim in intellectual
property, such intellectual property should be disclosed in writing to the University of Illinois
System by the creator(s) in accordance with Section 7(a). Such disclosure is without prejudice
to the creator’s ownership claim. The University system will provide the creator with a written
statement as to the University’s system’s ownership interest.

(d) Informing Creators of Decisions. The University system will inform principal
creators in writing of its substantive decisions regarding protection, commercialization and/or
disposition of intellectual property which they have disclosed. However, specific terms of
agreements with external parties may be proprietary business information and subject to
confidentiality restrictions.

(e) University System Abandons Intellectual Property. Should the University
system decide to abandon development or protection of University system-owned intellectual
property, ownership may be assigned to the creator(s) as allowed by law and current University
system practice, subject to the rights of sponsors and to the retention of a license to practice for
University system purposes. The minimum terms of the license shall grant the University
system the right to use the intellectual property in its internally administered programs of
teaching, research, and public service on a perpetual, royalty-free, non-exclusive basis. The
University system may retain more than the minimum license rights, and the assignment or
license may be subject to additional terms and conditions, such as revenue sharing with the
University system or reimbursement of the costs of statutory protection, when justified by the
circumstances of development.
(f) Commercialization. The University system may, at its discretion and consistent with the public interest, license intellectual property on an exclusive or non-exclusive basis. The licensee must demonstrate technical and business capability to commercialize the intellectual property. The licensee may include clear performance milestones with a provision for recapture of intellectual property if milestones are not achieved. The licensee may be required to assume the cost of statutory protection of the intellectual property.

(g) Conflict of Interest and Commitment. Commercialization activities involving University of Illinois System employees will be subject to review of potential conflict of interest and commitment issues and approval of a conflict management plan in accordance with applicable University system policy.

(h) University's System's Acceptance of Independently Owned Intellectual Property. The University of Illinois System may accept assignment of intellectual property from other parties provided that such action is determined to be consistent with the public interest. Intellectual property so accepted shall be administered in a manner consistent with the administration of other University system-owned intellectual property.

(i) Consulting Agreements. University System employees engaged in external consulting work or business are responsible for ensuring that agreements emanating from such work are not in conflict with University system policy, with the University's system's contractual commitments or with University system policies regarding University system-owned intellectual property. Such employees should make their non-University system obligations known to the appropriate campus university officer and should provide other parties to such agreements with a statement of applicable University system policies regarding ownership of intellectual property and related rights.

(j) Statement by Creators. The creators of University system-owned intellectual property may be required to state that to the best of their knowledge the intellectual property does not infringe on any existing patent, copyright or other legal rights of third parties; that if the work is not the original expression or creation of the creators, the necessary permission for use has been obtained from the owner; and that the work contains no libelous material nor material that invades the privacy of others.

(k) Administrative Responsibility. The president has ultimate authority for the stewardship of intellectual property developed within the University of Illinois System. Pursuant to Article I, Section 2, Paragraph (d) the vice president for research economic development and innovation has direct line authority for University system offices and entities involved in technology commercialization and related economic development. With the advice of the chancellors/vice presidents, or their designees, and in consultation with the executive vice president and vice president for academic affairs and the campus university vice chancellors for research, the vice president for research economic development and innovation shall establish operational guidelines and procedures for the administration of intellectual property, including but not limited to determination of ownership, assignment, protection, licensing, marketing, maintenance of records, oversight of revenue or equity collection and distribution, approval of individual exceptions, and resolution of disputes among creators and/or unit executive officers.

(l) Campus University Responsibility. Each campus university may establish an office which has responsibility for administering University system policies regarding intellectual property as defined in this Article.
(m) Contractual Authority. Licenses, options for licenses and other agreements related to commercialization or exploitation of intellectual property shall be granted in the name of the Board of Trustees of the University of Illinois. All such contracts shall be executed in accordance with the policies described in this Article.

(n) Administrative Guidelines and Procedures. General guidelines and procedures for the administration of intellectual property shall be established by the president in consultation with the University System Intellectual Property Committee (as specified in Section 7(o) below) and the campuses. Detailed operational guidelines and procedures for the administration of campus based responsibilities shall be established by the vice chancellor for research.

(o) University System Intellectual Property Committee. The University System Intellectual Property Committee shall be appointed annually by the president to make recommendations to the president regarding procedures, guidelines, and responsibilities for the administration and development of intellectual property and such other matters as the president shall determine.

(p) Appeals. After following the administrative guidelines and procedures established by each campus, the University creator or unit executive officer may appeal to the University System Intellectual Property Committee to seek resolution of complaints or questions regarding the matters addressed in this Article.

(q) Preferential Treatment of Sponsors. Sponsored research agreements shall provide that all intellectual property developed as a result of the sponsored research project shall belong to the University system unless otherwise specified in writing. The sponsor may receive an option to license the resulting intellectual property on terms to be negotiated, with the option to be exercised within a specified period following the disclosure of the intellectual property. When the nature of the proposed research allows identification of a specific area of intellectual property or application which is of interest to the sponsor, the University vice chancellors for research, in consultation with the vice president for economic development and innovation, may accept research agreements with terms which entitle the sponsor to reasonable specific commercial rights within the defined field of interest. Otherwise, the specific terms of licenses and rights to commercial development shall be based on negotiation between the sponsor and the University vice chancellors for research, in consultation with the vice president for economic development and innovation, at the time the option is executed by the sponsor and shall depend on the nature of the intellectual property and its application, the relative contributions of the University system and the sponsor to the work, and the conditions deemed most likely to advance the commercial development and acceptance of the intellectual property. In all cases where exclusive licensing is appropriate, such license agreements shall be executed apart from the sponsored research agreement and shall require diligent commercial development of the intellectual property by the licensee. The University vice chancellors for research, in consultation with the vice president for economic development and innovation, may also determine, on a case-by-case basis and only if allowed by law, that it is in the University’s system’s interest to assign ownership of resulting intellectual property to the sponsor as an exception to this policy when circumstances warrant such action, in accordance with guidelines established by the University Intellectual Property Committee pursuant to Section 7(k), above.

(r) Exceptions to Policy. Recommendations for exceptions to the provisions of the policy in this Article shall be made by the University System Intellectual Property Committee to the president for presentation to the Board of Trustees. [For individual exceptions, see Section 7(k).]
SECTION 8  PROCEEDS DISTRIBUTION

(a) Proceeds. For purposes of this policy, “proceeds” shall refer to all revenue and/or equity, as defined below, received by the University of Illinois System from transfer, commercialization, or other exploitation of University system-owned intellectual property.

(1) Revenue. “Revenue” shall mean cash from payments including, but not limited to, royalties, option fees, license fees, and/or fees from the sale of the University’s system’s equity interest.

(2) Equity. “Equity” shall include, but not be limited to, stock, securities, stock options, warrants, buildings, real or personal property, or other non-cash consideration.

(b) Revenue Distribution. When revenue is received by the University system, all out-of-pocket payments or obligations (and in some cases, a reasonable reserve for anticipated future expenses) attributable to protecting (including defense against infringement or enforcement actions), marketing, licensing or administering the property may be deducted from such income. The income remaining after such deductions is defined as net revenue. In the case of multiple intellectual properties licensed under a single licensing agreement, the University system, pursuant to Section 7(k), above, shall determine and designate the share of net income to be assigned to each intellectual property.

(1) Creator’s Share. The creator (or creator’s heirs, successors, and assigns) normally shall receive forty percent (40%) of net revenue. If there are joint creators, the net income shall be divided among them as they shall mutually agree. Should the creators fail to agree mutually on a decision, the Vice Chancellors for Research, in consultation with the vice president for economic development and innovation, shall determine the division.

(2) Originating Unit’s Share. The originating unit normally shall receive twenty percent (20%) of net revenue. If a creator is affiliated with more than one originating unit or if there are joint creators from different units, the originating unit(s) share shall be divided among such units as agreed in writing by the responsible unit executive officers. Should the units fail to agree mutually on a decision, the vice chancellors for research, in consultation with the vice president for economic development and innovation, shall determine the division.

(3) System-Level and University’s Shares. The University system offices normally shall receive forty percent (40%) of net revenue. Distribution of the University’s share of these proceeds shall be allocated in support of its technology transfer activities and academic and research programs as determined by the vice chancellor for research at the university where the intellectual property was generated.

(c) Equity Distribution. In any instance wherein the University of Illinois System executes an agreement with a corporation or other business entity for purposes of exploiting intellectual property owned by the University system and the University system receives or is

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3These proceeds distribution provisions shall apply only to revenue and equity received from agreements for commercialization that are executed subsequent to the effective date of this policy (September 3, 1998). Unless otherwise agreed in writing between the University system and the creator(s), distribution of income for commercialization prior to the effective date of this policy shall be in accordance with the policy in effect at the time the agreement was approved. Where no policy exists (e.g., for equity), this policy shall prevail.
entitled to receive equity, revenue from the equity shall be shared among the creator(s), the originating unit(s), and the University system offices in the same proportions as revenue distributions (except as specified in Section 8(d) below).

(d) Exceptions When the Creator(s) Have No Entitlement. If the University system accepts research support in the form of a sponsored research agreement or unrestricted grant as part of the consideration in an intellectual property license in lieu of an option fee, license fee or royalty, the creator(s) shall have no entitlement to receive a share as personal income. For the subset of equity that is buildings, real or personal property, or other non-cash consideration, the creator(s) shall have no entitlement to receive a share as personal income.

(e) Special Distributions. Special facts or circumstances may warrant a different distribution of proceeds than specified above and such distributions will be determined on a case-by-case basis under the authority of the vice chancellors for research, in consultation with the vice president for economic development and innovation.

(f) Revenue from Actions for Defense or Enforcement of Intellectual Property Rights. When the University system offices receives revenue from third parties that results from successful actions for the purpose of defending or enforcing the University’s system’s rights in its intellectual property, such revenue may first be used to reimburse the University system (or the sponsor or licensee, if appropriate) for expenses incurred in such actions. The creator(s) and their originating unit(s) shall be entitled to recovery of lost royalties from the remaining net revenue, in the same proportions as specified in Section 8(b) above. The remaining net revenue shall be allocated in support of the University’s technology transfer activities and academic and research programs as determined by the vice chancellor for research at the university where the intellectual property was generated.