

## Yale University Patent Policy

1. **Encouragement of Patents.** In the course of teaching, research, and other intellectual and administrative activity by faculty, staff, fellows, students, and other individuals in the University community, discoveries or inventions both patentable and practical occur. Encouragement of such inventions in appropriate ways is both supportive of the public interest and consistent with the advancement of knowledge for its own sake, the primary purpose of teaching and research in a university. The University Patent Policy states the procedure to be followed in the administration of inventions which result from teaching, research, and other intellectual activity performed under University auspices except as further defined in paragraph 6.
2. **Purpose of Patent Policy.** The purposes of this University Patent Policy are (1) to help assure, in the public interest, that the patentability (or other means of exploitation) and practicality of inventions will be evaluated by qualified persons, and that the income from inventions will be used to support further research or other desirable University activities; and (2) to define remuneration to the inventor or inventors (hereinafter the "Inventor") and the University as long as the invention is productive of royalties.
3. **Procedure as to Inventions.** The University has established a [Committee on Cooperative Research, Patents, and Licensing](#) appointed from among members of the faculty and administration. One function of the Committee is to advise the University on matters of patents policy and administration. The University has also established an Office of Cooperative Research to facilitate transfer of its inventions/discoveries in the public interest.
  - o Patent Applications. All inventions of the kind referred to in paragraph 1 shall be reported promptly in writing to the Provost through the Director of the Office of Cooperative Research. The Director, with the advice of the Committee on Cooperative Research, Patents, and Licensing, shall conduct an initial screening followed, when indicated, by a detailed evaluation of the invention. This may be done through an internal review, or by referral to an external organization that manages the evaluation. After the evaluation, the University may, alone or with the assistance of an external organization, make application for letters patent. At the request of the Office of Cooperative Research, the Inventors shall execute assignments or other documents assigning to the University all their rights in the invention and any patent applications or resulting patents on the invention. Yale will retain title to all such patent applications and resulting patents. If the University decides that it does not wish, and has no legal obligation, to participate in the patenting or licensing of an invention, the University may release to the Inventor the University's interest in the invention, and the Inventor shall then be free to dispose of the invention as he or she wishes.
  - o License Agreement.
    1. If the University decides to participate in the patenting or licensing of an invention, the Office of Cooperative Research will seek to enter into appropriate licensing arrangements to commercialize the invention. The objective of the University is to assure the development of its technology in furtherance of its own educational mission and for the benefit of society in general. Therefore, as a general policy, the University will set the terms

of its licenses so as to further the achievement of this objective. Exclusive licenses will be granted if it appears to the Office of Cooperative Research that this is the most effective way of ensuring development to the point that the public will benefit. Any exclusive license agreement will be so drawn as to protect against failure of the licensee to carry out effective development and marketing within a specified time period.

2. In research grants or contracts sponsored by industrial companies there will typically be a section covering patents on future inventions, if any, as in all government grants. When deemed appropriate, the sponsor may be granted a license to any inventions developed during the term of the grant or contract in accordance with the policies outlined in 1) above.

#### 4. **Division of Royalties.**

- a. Definition. For purposes of this policy, "royalties" shall include running royalties, advances against running royalties, up-front license fees, milestone payments, shares of stock or other securities issued by the licensee or another corporation ("equity"), and any other payments received by the University under a license agreement in consideration for licensing an invention, but shall not include amounts received from a licensee or others in sponsorship of research or under other agreements for other goods, services or rights.
- b. Recovery of Expenses. Royalties shall be used first to offset out-of-pocket expenses incurred by the University in applying for, obtaining, and defending a patent and in developing and negotiating license agreements during the life of the patent. Expenses for this purpose will include fees paid to outside legal, consulting, and licensing organizations and any other out-of-pocket costs incurred by the University. The fees paid to the external individuals or organizations for such services may be of fixed dollar amount or may be in the form of an agreed-upon fraction of the gross royalty income, if any, or in any other form directly associated with commercialization/licensing of the invention. In addition, 10% of Royalties, after reduction as provided above for out-of-pocket expenses, received in any year from an invention made on or after April 11, 1992 shall be retained by the University and applied toward the general support of the Office of Cooperative Research; provided, that if the total of such recoveries in any year exceeds the Office's approved budget, the excess shall be allocated in a pro rata basis among those inventions from which it was recovered and shall be distributed as part of Net Royalties in accordance with subparagraph (d).
- c. Net Royalties. After recovery of expenses by the University as provided in subparagraph (b), the remaining royalties will be designated Net Royalties.
- d. Distribution of Net Royalties. The Net Royalties as defined above shall be divided between the Inventor(s) (as defined under the patent law) and the University as follows:
  - The first \$100,000 of Net Royalties  
50% to the Inventor(s)  
50% allocated to the general support of University research, as described in paragraph 5.
  - Net Royalties between \$100,000 and \$200,000  
40% to the Inventor(s)

60% allocated to the general support of University research, as described in paragraph 5.

- Net Royalties exceeding \$200,000  
30% to the Inventor(s)  
70% allocated to the general support of University research, as described in paragraph 5.

For purposes of applying the above Net Royalty distribution formula (i.e., whether aggregate Net Royalties are \$100,000 or less, between \$100,000 and \$200,000, or more than \$200,000), equity shall be deemed to have the per-share value agreed upon in a good-faith negotiation between the University and the licensee at the time the license agreement is executed, and the equity shall be deemed received after all cash Net Royalties received at or before the time the equity is issued. In the absence of such negotiated value, the Inventors shall receive 32% of the equity Net Royalties.

In its discretion, the University may either distribute equity to the Inventor(s) when it is received or arrange for the licensee to issue the Inventor's share of equity directly to the Inventor(s).

As used in this document, the term "Inventor" may represent two or more individuals. These individuals will be expected to agree among themselves on the fractional distribution of the "Inventor" share of any royalties. A written agreement must be signed by all the individuals involved, and deposited for the record in the Office of Cooperative Research. (Appropriate forms are available from the Office of Cooperative Research.) If no written agreement has been deposited at the time of a distribution of Net Royalties, the Inventors' share of such distribution shall be divided equally among the Inventors.

- e. Overriding Agreements with Third Parties. The foregoing provisions of this paragraph and the rest of this University Patent Policy are subject to the terms of applicable grants and contracts with third parties. See paragraph 7.
5. **General Research Support from Net Royalties.** The University's share of Net Royalties will be used in support of research, or if not specifically prohibited by the funding agency contract, will accrue to the Science Development Fund or other appropriate research fund, and will be allocated by the Provost. Before allocating funds, the Provost shall consult with the relevant subdivision of the University concerning the research to be supported.
  6. **Inventions Not under University Auspices.** Inventions by University employees usually result from teaching, research, or other intellectual activity involving University facilities or personnel. Accordingly, all inventions by University employees must be reported to the Office of Cooperative Research. When the University determines that an invention by a University employee is unrelated to the activities for which the individual is employed and has not involved the use of University facilities, then the University will make no claim to such an invention. All inventions made or conceived under circumstances

involving University facilities or personnel are the property of the University.

An invention made by a faculty member in the course of a paid consulting engagement for a company may be assigned to the company only if it is unrelated to the activities for which the faculty member is employed by Yale and it was not made or conceived under circumstances involving University facilities or personnel. Such an invention will be considered unrelated to the activities for which the faculty member is employed by Yale if the invention arises directly out of consulting activity paid for by the company, and, for example, it is made in response to a problem posed by the company or is based on nonpublic information provided by the company to the faculty member for use in the consulting engagement. It will be considered not to have involved the use of University facilities if no University facilities or resources (including but not limited to space, computers, laboratory equipment and supplies), no University-administered funds, and no University personnel other than the faculty member himself or herself, are involved in the conception or reduction to practice of the invention. All inventions made by Yale faculty members in the course of consulting, and any assignments of rights to such inventions, must be reported promptly to the Office of Cooperative Research. That Office will agree to abide by reasonable confidentiality restrictions for disclosures of inventions and assignments made in the course of consulting.

7. **When Arrangements with Outside Organizations Override This Policy.**

Arrangements with outside organizations that propose terms which are exceptions to this Policy must be submitted to the President or Provost for review by the University with the advice of the Committee on Cooperative Research, Patents, and Licensing. If approved by the University the terms shall be binding upon all members of the faculty, staff, and employees of the University conducting such research or utilizing such facilities, and will supersede the provisions of the patent policy to the extent that the terms are inconsistent therewith.

8. **Inventions by Staff Resulting from Performance of the Responsibilities of Their Employment.**

Not infrequently, in the course of carrying out assigned responsibilities of their employment, staff employees may make commercially useful inventions or develop licensable property, (i.e., the employee received salary or wages for the specific function of developing the work which ultimately has commercial value). In such cases, there is no presumption that the University will share royalty (or other) revenues with the employee. Normally, the University does not share revenues with staff except in cases where it appears that the invention or commercially valuable property has not resulted from the performance of assigned duties. In these instances, the invention (or other commercially valuable work) will be reviewed by the Committee on Cooperative Research, Patents, and Licensing and a recommendation will be made to the Provost. In these cases, the division of royalties as specified in paragraph 4(d) of this policy may not apply and the Provost may substitute different provisions after review of the recommendations of the Committee on Cooperative Research, Patents, and Licensing.

9. **Governmental Rights in Certain Inventions.** Current governmental regulations permit educational institutions to retain rights and title to patentable inventions which results from federally funded experimental, developmental and research work. Retention of rights by University is contingent upon the fulfilling of a number of obligations on the

part of the University and of the Inventor(s) and these obligations must be discharged in order to protect the interests of all parties. Though the University may retain rights and title to such patentable inventions, the federal government retains a royalty free license and places certain other restrictions upon the ultimate disposition of the patents(s). Details of the implementing regulations may be obtained from the Office of Cooperative Research. Incumbent upon members of the University community who apply for and receive federal funding to support research or who use federal monies in the conduct of their research is the [requirement for written agreement](#) that they will promptly disclose patentable inventions to the University and will execute all instruments necessary to protect the rights of the government and/or the University. Forms for this agreement will be provided to all faculty and will be available for other participants (i.e. collaborators, post-doctoral students, graduate students) from the appropriate departmental chairman or, at the Chairman's option, from the Departmental Business Office.

10. **Revocation or Amendment.** This patent policy is subject to revocation or amendment by the Corporation. In case of doubt as to the interpretation of this patent policy, a definitive interpretation will be provided by the President or Provost after receiving the advice of the Committee on Cooperative Research, Patents, and Licensing. This patent policy is effective as to all inventions/discoveries made on or after February 23, 1998.

Revised February, 1998.