

HB

282

Representative
HUGH "BUD" FATE
Chair-Resources Committee
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Alaska State Legislature



While in Session
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House District 7

House of Representatives

Sponsor Statement HB 282

"An Act relating to contracts between the University of Alaska and its employees involving research or other development of intellectual property and to the authority of the president of the University of Alaska regarding employee contracts for development of intellectual property."

HB 282 will give the President of the University of Alaska authority to enter into contracts with employees involved in research and development of intellectual property. These contracts would allow both the employee and the University to benefit from businesses associated with that development.

Nearly 57 percent of all research conducted in Alaska is on one of the University's campuses. HB 282 will allow the University an opportunity to realize the full potential of those efforts. The University is a leader in areas such as geophysical, arctic research and new initiatives such as the Center for Nanoscience Technology. This type of technical research is cutting edge, and the benefits could well be staggering.

As an example, if the University had been involved in the development of the operating system software you use on your office computer. It would certainly eliminate the need for them to visit each year asking for funding.

This type of technology advancement continues today, and with the passage of HB 282 our University system could be a leader in funding for, and developing the very tools we use daily. Funding that would be coming from the business side of research, not the general fund.

HB 282 allows the University of Alaska to compete on an equal footing with other major campuses already combining research and business to fund future research. It opens the door to advancements in technology that could bring new high-tech jobs to Alaska as well as millions of new dollars to the University.



Mark R. Hamilton
President

UNIVERSITY OF ALASKA STATEWIDE SYSTEM

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May 2, 2003

via fax 465 3883

Representative Hugh "Bud" Fate
Alaska State Legislature
State Capitol, Room 128
Juneau, Alaska 99801 - 1182

Dear Representative Fate:

I am writing in support of HB 282. This bill recognizes the state need to facilitate development of businesses based on intellectual property created or contributed to by University of Alaska employees.

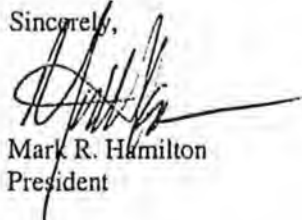
Currently, University faculty and other staff share with the university in intellectual property they produce. On the other hand, the Alaska Executive Branch Ethics Act prohibits university employees from either taking official action or using university information to benefit their own financial interest. In effect, these latter restrictions preclude university employees from nurturing their discoveries either through further research or by participation in local spin-off companies as owners, managers, or consultants.

Such constraints tend to force researchers to choose between exporting their intellectual property without continuing support, and giving up their university employment. This climate provides little incentive for researchers to focus on technologies that are subject to commercialization. It also puts the University of Alaska at a competitive disadvantage in hiring entrepreneurial faculty capable of producing valuable intellectual property.

Other states have successfully encouraged the creation and development of local industries by allowing their universities to work with their employees to continue research on, invest in, and profit from the technologies they develop. Although the shortage of industry in Alaska cannot produce similar results in the short term, enabling business/university partnerships can contribute to the long term economic development of this state.

This bill provides flexibility to negotiate contracts with employees to enhance the potential for creation and development of intellectual property. The provision for direct negotiations allows the president to strike an appropriate balance between the interests of the state and the individual involved, without interjection of interests of other employees.

Sincerely,



Mark R. Hamilton
President

MRH:dm

University of Alaska

Inventions and Patents

1. The assignment of inventions and patents to the University, except for those resulting from permissible activities outside of University employment without the use of University facilities, shall be mandatory for all University personnel, for persons not employed by the University but who use University facilities in the development of intellectual property, and for those who receive grant or contract funds through the University. Exemptions from such assignments may be authorized in those circumstances where the mission of the University is better served by such action, provided that the overriding obligations to other parties are met and such exemptions are not inconsistent with other Board of Regents' policies or University regulations.

2. University personnel and all those using University facilities in the development of intellectual property shall immediately and properly disclose the conception and/or reduction to practice of potentially patentable inventions. Such disclosure shall be made to the President or President's designee. Persons making disclosures shall execute such declarations, assignments or other documents provided by the University as may be necessary in the course of invention evaluation, patent prosecution, or protection of patent rights.

3. Subject to restrictions arising from overriding obligations of the University pursuant to grants, contracts or other agreements with outside organizations, the University agrees, for and in consideration of the assignment of patent rights, to pay annually to the named inventor(s), the inventor(s)' heirs, successors or assigns, a royalty share of the net proceeds received by the University for each patent or other intellectual property right assigned to the University, as shown below.

Total Net Royalty Per Invention (\$)	Inventor's Share (%)	University Share (%)
First \$10,000	100%	0%
More than \$10,000	50%	50%

Where there are two or more inventors, each inventor shall share equally in the inventor's share of net proceeds, unless all inventors previously have agreed in writing to a differing distribution of such share. Distribution of the inventor's share shall be made no less than annually. In the event of any litigation, actual or imminent, or any other action to protect patent rights, the University may withhold distribution of all royalty proceeds until resolution of the matter. Of the remaining net proceeds, the share shall be distributed as determined by the President.

University proceeds from University inventions shall be used for the support of University research and scholarly activities; however, exceptions may be granted by the President or President's designee.

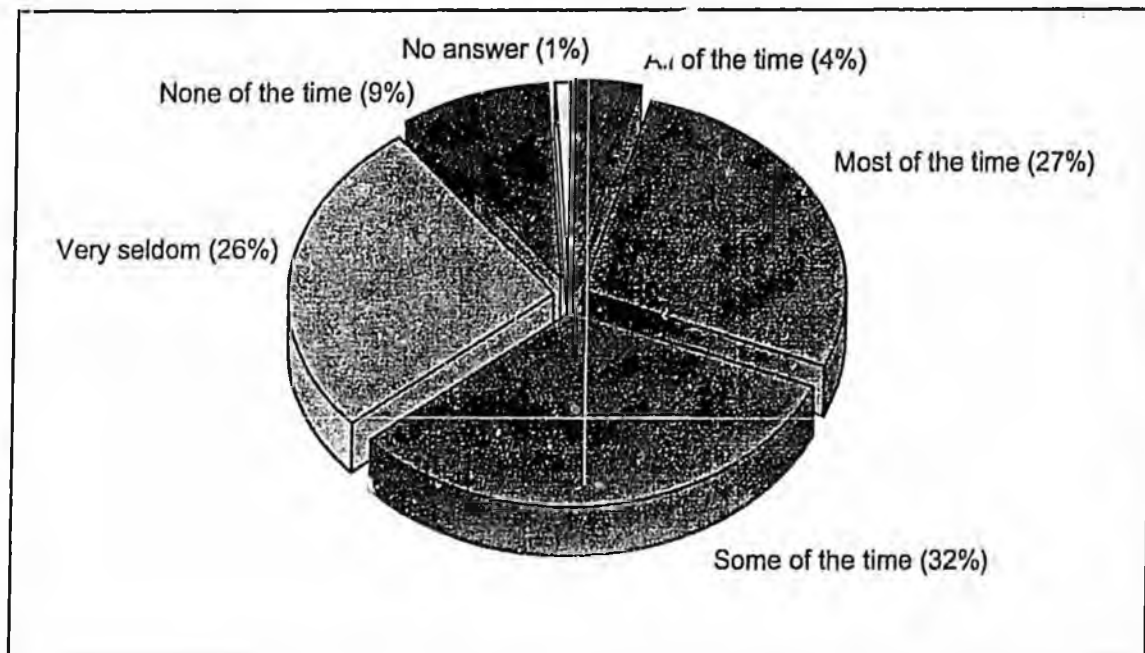
In your department, are there enough material resources to get the job done?

- UA faculty often feel there are not enough material resources to get the job done, with 35 percent of respondents answering *very seldom* or *none of the time*.
- UAS faculty appear the best-supplied, with 44 percent saying there are enough resources *most* or *all of the time*, compared to 30 percent of UAF faculty.

Table 4.

	Total	UAA	UAF	UAS
All of the time	4%	4%	5%	6%
Most of the time	27	28	25	38
Some of the time	32	30	34	31
Very seldom	26	25	28	21
None of the time	9	13	8	4

Chart 4.



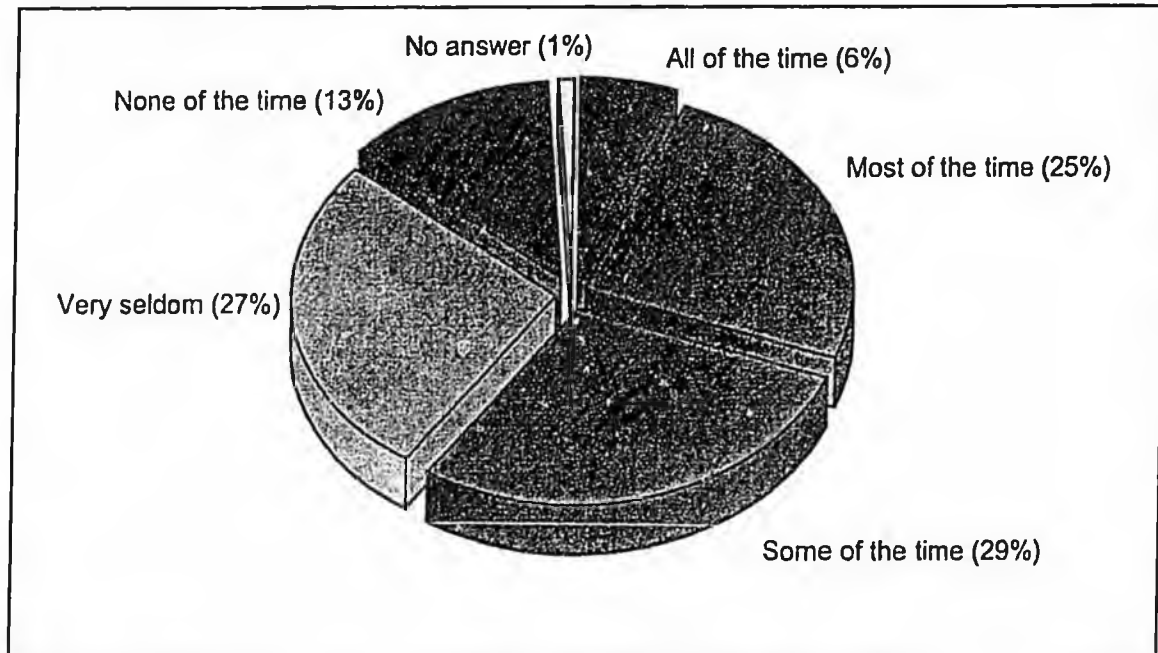
In your department, are there enough people to get the job done?

- Overall, UA faculty give very similar answers for "are there enough people?" to those for "are there enough material resources?"
- Whereas UAS faculty appear the best-supplied in terms of material resources, they are the least likely to answer *most* or *all of the time* when it comes to people.

Table 5.

	Total	UAA	UAF ^a	UAS
All of the time	6%	6%	6%	6%
Most of the time	25	23	27	21
Some of the time	29	27	29	35
Very seldom	27	29	23	31
None of the time	13	14	14	8

Chart 5.



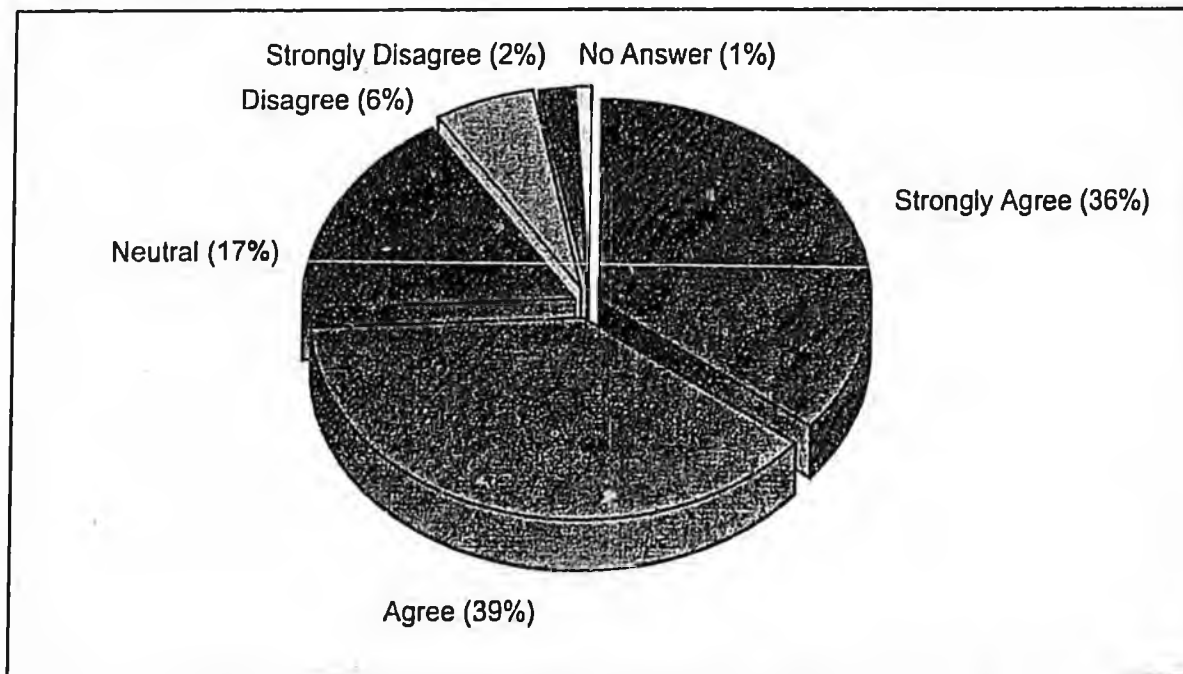
How strongly do you agree or disagree with the following statements about your campus? *It is important that we enhance the University's national image.*

- UA faculty generally feel that it is important to enhance the University's national image, with three quarters (75 percent) agreeing with the statement.
- UAF faculty feel especially strongly about this statement, with 40 percent strongly agreeing, compared to 34 percent of UAA and 27 percent of UAS faculty.
- Male faculty members are more likely to strongly agree with this statement (42 percent, versus 29 percent of female faculty).

Table 21.

	Total	UAA	UAF	UAS
Strongly Agree	36%	34%	40%	27%
Agree	39	34	42	48
Neutral	17	20	13	21
Disagree	6	9	3	2
Strongly Disagree	2	2	2	2

Chart 21.



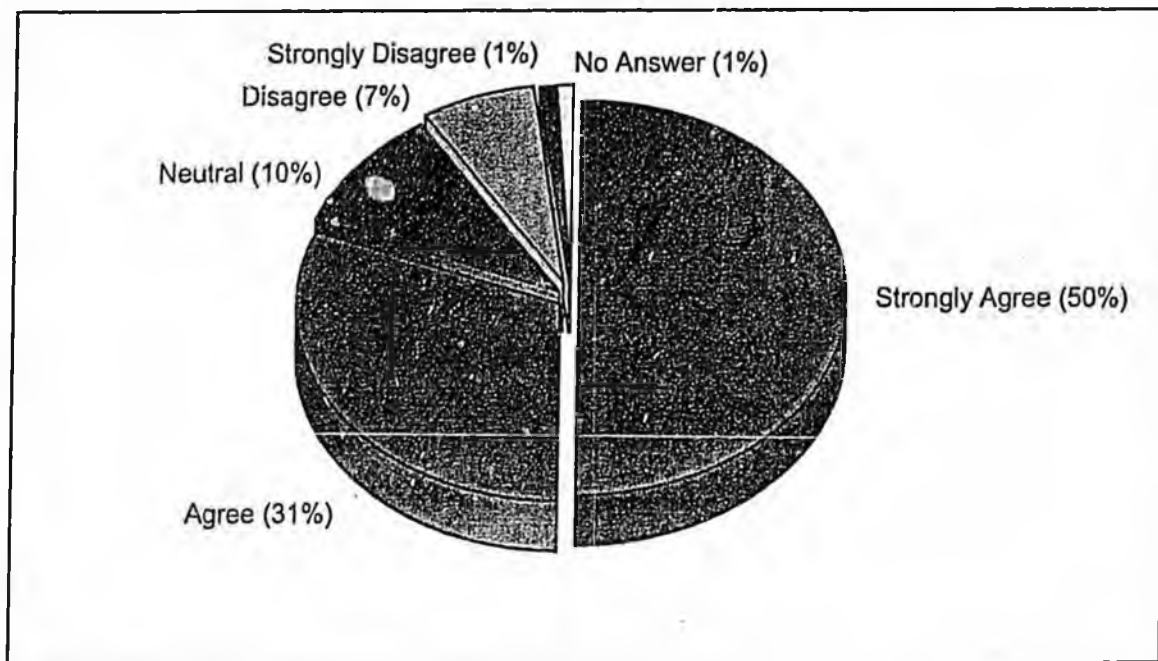
How strongly do you agree or disagree with the following statements about your campus? *Meeting Alaska's higher education and research needs is our top priority.*

- The vast majority – 81 percent – of UA faculty agree that meeting Alaska's higher education and research needs is the University's top priority.
- Only 10 percent of faculty are neutral on this issue – the lowest neutral response on this survey.

Table 22.

	Total	UAA	UAF	UAS
Strongly Agree	50%	54%	47%	48%
Agree	31	28	34	35
Neutral	10	10	10	10
Disagree	7	6	7	6
Strongly Disagree	1	1	2	0

Chart 22.



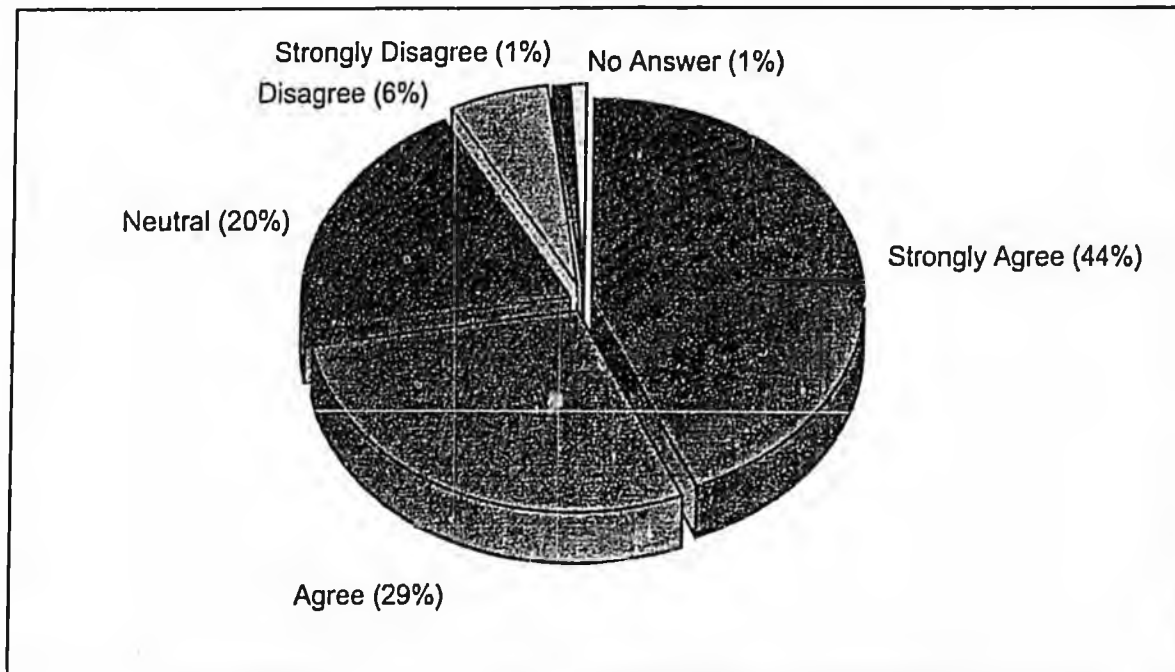
How strongly do you agree or disagree with the following statements about your campus? *The University is suffering from an out-migration of valuable faculty to better paying jobs.*

- Nearly three-quarters of faculty (73 percent) agree that the University is suffering from an out-migration of valuable faculty, with only 7 percent disagreeing.
- UAS faculty are much more likely to *strongly agree* with this statement (58 percent, compared with 43 percent of UAA faculty and 41 percent of UAF faculty).

Table 23.

	Total	UAA	UAF	UAS
Strongly Agree	44%	43%	41%	58%
Agree	29	31	29	25
Neutral	20	17	23	13
Disagree	6	7	5	4
Strongly Disagree	1	1	1	0

Chart 23.



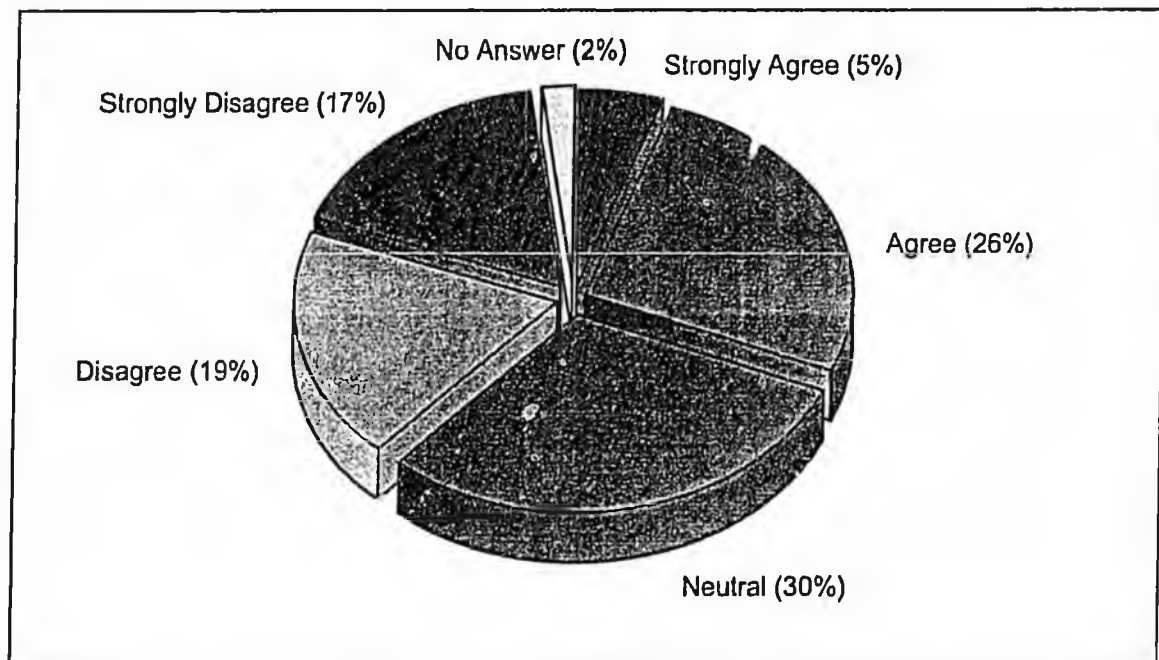
How strongly do you agree or disagree with the following statements about your campus? *In general, faculty morale has improved over the last several years.*

- Faculty are more likely to disagree with this statement (36 percent) than to agree (31 percent).
- Interestingly, the campus which appears to have the highest morale judging from responses to other questions, was the least likely to agree with this statement – not one UAS faculty member answered *strongly agree*, while 23 percent answered *agree*.
- UAA faculty were the most likely to disagree with this statement (45 percent, compared to 29 percent of UAF faculty and 38 percent of UAS faculty).
- Male faculty members are more likely to agree with this statement (37 percent, versus 24 percent of female faculty members).

Table 24.

	Total	UAA	UAF	UAS
Strongly Agree	5%	5%	6%	0%
Agree	26	23	30	23
Neutral	30	27	32	37
Disagree	19	24	14	21
Strongly Disagree	17	21	15	17

Chart 24.



In the last two years, have you developed a new course?

- Nearly three-quarters of UA faculty say they have developed a new course in the last two years.
- UAS faculty are the most likely to have developed a new course (88 percent), while UAA faculty are the least likely (71 percent).
- According to CHE survey results, 72 percent of faculty members said they had developed a new course in the last two years – an almost identical percentage to UA faculty’s 73 percent.

Table 34.

	Total	UAA	UAF	UAS
Yes	73%	71%	73%	88%
No	19	23	19	4
Not sure	1	1	1	0
Not applicable	7	4	8	8

In the last two years, have you served as a paid consultant?

- Just over one-third of UA faculty members report serving as a paid consultant in the last two years.
- UAF faculty are the most likely to have served as a paid consultant in the last two years (61 percent, compared to 56 percent of UAS and 55 percent of UAA faculty).
- The CHE survey reports that 38 percent of nationwide faculty have served as a paid consultant in the last two years, comparable to UA faculty’s 36 percent.

Table 35.

	Total	UAA	UAF	UAS
Yes	36%	40%	32%	35%
No	58	55	61	56
Not sure	0	0	0	2
Not applicable	6	5	6	8

In the last two years, have you published at least one paper in a peer-reviewed journal?

- One half of faculty members say they have published a paper in a peer-reviewed journal in the last two years.
- This question produced the widest variance of responses among the different campuses of any question on the survey. Given UAF's research focus, faculty there are the most likely to have answered yes (67 percent), followed by UAA faculty (37 percent) and UAS faculty (29 percent).
- Male faculty are more likely to have published a paper (58 percent, versus 41 percent of female faculty).
- The CHE survey results state that 59 percent of nationwide faculty say they have published at least one paper in the last two years – a somewhat higher percentage than UA faculty's 51 percent. Among faculty at public universities, that percentage changes to 83 percent; at public four-year colleges, 65 percent.

Table 36.

	Total	UAA	UAF	UAS
Yes	51%	37%	67%	29%
No	38	50	25	58
Not sure	0	0	0	0
Not applicable	10	13	7	13

In the last two years, have you received at least one firm job offer from another institution?

- Three out of ten faculty members say they have received at least one firm job offer from another institution in the last ten years.
- Newer faculty members are the most likely to have received another job offer (45 percent), while those who have been with the University the longest are the least likely (15 percent).
- Men are more likely than women to say they have received a job offer (34 versus 25 percent).
- In the CHE survey, 28 percent of faculty members say they have received at least one firm job offer in the last two years, very similar to UA faculty's 30 percent.

Table 37.

	Total	UAA	UAF	UAS
Yes	30%	31%	30%	33%
No	52	51	53	56
Not sure	1	0	1	0
Not applicable	17	18	16	12

National Association of College and University Attorneys
Research Universities: Evolving Intellectual Property Policy
Advanced Workshop November 12, 1998

Intellectual Property Policies
Christine Maitland, Ph.D.
National Education Association

Historical Notes on Intellectual Property

Three hundred years after the invention of the printing press, Immanuel Kant and every other writer in the German city states, had a problem. The public was suddenly inundated with printed works --- plays, poems, novels, and philosophy. Once the works were published in one city-state they were copied in others without payment to the authors. The debate raged for over 20 years and involved many of the best minds in Germany. Kant wrote in the Critique of Judgment (1790): "Every artistic work consists of a physical object and a piece of its creator's spirit. People can buy the object but not the spirit, for soul cannot be purchased. Thus readers can freely copy books, but only in ways that respect the writer's integrity." This idea grew into the current European system of copyright ("Who Will Own Your Next Good Idea?" *Atlantic Monthly*, September 1998).

There is a 300-year legal history of protection of copyright in English and American law. At its earliest conception in England it was viewed as a natural right of authors to protect their written work so they could "reap the profits of their own ingenuity and labor." ("Preserve Copyrights and Protect Us All," *Washington Post*, Outlook Section, Sunday November 1, 1998)

By the time of the writing of the U.S. Constitution copyright was recognized as a common-law right that served to both reward and author's efforts and provide an incentive to create original works for public dissemination. The founders believed that copyright was essential to democracy and included it in the constitution. Article I, Section 8 instructs Congress to "secure for limited Times to Authors and inventors the exclusive Right to their Respective Writing; and Discoveries. " When George Washington asked Congress to enact copyright legislation he argued that it would increase the national stock of knowledge. And knowledge, he said, is the "surest basis of public happiness." (*Atlantic Monthly*, Sept. 1998, p. 5)

Now like eighteenth century Germans, we are experiencing powerful cultural changes. The rise of digital media and the Internet for communication is forcing us to revisit the question of intellectual property. In the fall, Congress passed the Digital Millennium Copyright Act of 1998 which has important implications for campuses. Also enacted was

the Sonny Bono Copyright Term Extension Act which extends the copyright protection from 20 years to 50 years after the death of the author (or 75 years after publication for corporate authors) and makes it a crime to circumvent copyright protections. The legislation brings the United States in compliance with the terms of the World Intellectual Property Organization Treaty on Copyrights (WIPO). There is a session on the new legislation tomorrow, so I won't go into further details here.

NEA's concern in lobbying for this legislation and for WIPO was the protection of the rights educators to own their work, and the "fair use" of materials for educators." NEA, library groups, and other education groups were successful in preventing a provision that would have established legal protections for virtually any collection of information (databases), even those currently in the public domain.

Intellectual Property Language in Bargaining Agreements

Karen Hershey outlined what was necessary for a good policy on intellectual property in her remarks. In NEA's view a good policy is a well-negotiated labor agreement with binding arbitration. We assert that "faculty and staff should own the rights to their intellectual property." Unions protect faculty rights in this area through negotiations.

NEA maintains a database with over 500 higher education contracts for two and four-year campus. When language on patents, copyrights, royalties is reviewed there are several trends that become apparent (Note: Attachment 1 has examples of contract language in this area):

1. If the research is funded by another agency then the contract or grant for that research determines the distribution of income from the product.
2. If a faculty member invents, writes, or produces a product without the use of campus resources then they own full rights to the income from that product.
3. If the faculty member uses campus resources there are several options:
 - a. The proceeds are shared by the individual faculty and the campus - percentages are determined by the labor agreement.
 - b. Or the proceeds are shared until the "fair market value" of the resources has been repaid.
 - c. Sometimes there are provisions that students and other faculty on the campus may use the product for no charge. If it is marketed off the campus than the individual faculty member and the campus share the proceeds.
4. The faculty own the copyright to their classroom lecture notes and materials; and to their publications.
5. The administration cannot make signing away rights a condition of employment.

Distance education and other uses of technology are raising new questions: Who owns the products of distance learning? If a web site is created for a course who owns copyright? If a class is video taped who owns the tape? Administrators did not care about owning faculty members' lecture notes or books that sold 500 copies. But the market is hungry for courseware and now those notes suddenly have value, especially when they are in an electronic format.

Future Trends

We may be disputing the ownership of outmoded products. Several developments will bring up new ownership issues.

1. The invention of electronic paper - a flexible, cordless computer screen that looks and acts like a piece of paper. If e-paper is widely accepted it will "turn the world of copyright upside down, and with its literary culture." Each Gyricon sheet is made of transparent silicone rubber with millions of plastic balls, smaller than a human hair, which carries an electrostatic charge. Arranging these balls creates black and white dots that can be arranged like pixels on a computer screen. Once they have been given a charge they will last a very long time, but they can also be run through the charge again to make another image. Other companies are developing versions of electronic books that will look and feel like a paper. (*Atlantic Monthly*, September 1998)
2. Musicians face new challenges in the digital age where people can download the latest music from the Internet. Companies are developing markers that will make it possible to determine who owns the product and which web sites it has been on. The same markers are being developed for printed materials ("New Electronic Tags Carry Copyright Information About On-Line Publications," *The Chronicle of Higher Education*, October 3, 1997)
3. There is growing resistance to the high cost of refereed journals in higher education. Faculty members in some disciplines are looking for ways to have research peer reviewed through publications on the Internet without the journals.
4. The NEA is releasing a multi-media, interactive CD-ROM on the future of higher education. Included are scenarios on campuses that may exist in the future. To obtain a copy send an e-mail to HigherEd@nea.org or visit web site at <http://www.nea.org/he>

In preparing for this session, several web sites that have good information on the topic were found. The URL's are below:

<http://www.wtaccess.com/users/gummess/coprby/coprby.htm>). George Washington University graduate students developed "Copyright Bay" that uses coastal metaphors to help teachers and faculty members navigate "Fair Use Harbor" and avoid the dreaded "Infringement Reef."

<http://www.lib.uiowa.edu/proj/webbuilder/copyright.html>

Sites about copyright that are linked to the University of Iowa's Copyright and Multimedia Law for Webbuilders and Multimedia Authors.

<http://www.theatlantic.com/issues/98sep/copy.htm>

Who will own your next good idea? This article in the September 1998 issue of Atlantic Monthly talks about the future of copyright and impact of inventions like electronic paper.

Attachment 1 Intellectual Property Language in Labor Agreements

Article 10 of the University of Hawaii 1995-1999 on Intellectual Property, Patents and Copyrights has the following provisions:

General Scope

Except in the case of works written or produced for hire, and subject to any restrictions imposed by outside sponsoring or funding organizations, a Faculty Member who writes or produces any work shall have exclusive rights thereto, including the ownership of copyright.

It is recognized that there are usually three interests involved in connection with research work and invention performed with the resources of the University. These three interests are the Faculty Member researcher or inventor, the University, and the general public whose taxes support the University. If the research is financed wholly or in part by an outside agency, there exists an additional interest. Rights, royalties, and other net profits shall be shared fairly amongst the parties. In most cases, the Faculty Member will receive fifty percent (50%) of the net profits from the sale or exploitation of Patents.

A. Classroom lectures and the recording of presentations.

Faculty Members shall own all rights to materials prepared on their own initiative for classroom, educational or professional purposes, and shall be exclusively entitled to the benefit of any royalties derived therefrom.

For personal educational purposes, students may record classroom lectures or other presentations, using tape recorders or other electronic or mechanical devices, unless the Faculty Member denies permission for such recording. Permission shall not be denied when the student requires such devices as the result of a physical disability.

B. Distance Learning and Multimedia Presentations

The Employer may transmit or record for transmission any classroom instruction, lecture or other instructional or performance event produced by Faculty Members as a part of a program of distance learning, e.g., HITS and SkyBridge, where the Faculty Member has received either an equivalent reduction in other classroom assignments or overload compensation as set forth in Article XX, Salaries. The Employer, however, may not sell or re-transmit in future semesters any such recording except under the terms of a written

Agreement between the Employer and the Faculty Member providing each party with a fifty percent (50%) interest in the net profits from either the sale or rebroadcast.

C. Patents and Copyrights

The rights of Faculty Members relating to patents and copyrights shall be governed by the University of Hawaii Patent and Copyright Policy (effective 11/22/68), and the Executive Policy E5.500 Administration of the Patent and Copyright Policy and the Administrative Procedures A5.500, A5.501, and A5.502 (as in effect on 12/14/96), which are incorporated herein by reference. (See R-10, R-11, R12, R-13, R-14 of Reference Section.)

D. Review and Amendment

The parties recognize that the issue of intellectual property is complex and that there may be a need to amend or modify the current University of Hawaii Patent and Copyright Policy. Therefore, a Joint Committee shall be established to periodically review the issue of intellectual property rights and the applicable policies and procedures. The Joint Committee shall be comprised of three representatives appointed by the UH President and three representatives appointed by UHPA. The Joint Committee shall meet at least once each academic year and report its deliberations, findings, and recommendations, if any, to the Employer and the Union.

Agreement for Youngstown State University 1993 – 1996 (Ohio)

24.3: Research Proceeds: All proceeds which result from faculty research, including marketable computer software programs, belong to the faculty member unless the research is subsidized by YSU or an external agency which stipulates contrary terms in a separate and specific contract as a condition of support. Research is considered to be subsidized by YSU only if the faculty member receives a reduction in teaching load, a Research Professorship, a Sabbatical/Faculty improvement Leave, or a University Research Council grant, for the purpose of conducting the research. Under no circumstances shall YSU's share exceed 25% of the proceeds after the recovery by YSU of the cost of subsidy specified in the contract. The signing of a specific contract with YSU for subsidized research cannot be a stipulated condition of employment. This policy shall not apply to royalties, which shall go exclusively to the author.

Agreement for State University System of Florida 1995-1998 (excerpts)

Article 18 Inventions and Works.

18.1 University Authority and Responsibilities. Section 240.229, Florida Statutes, authorizes each university to establish rules and procedures regarding patents, copyrights,

and trademarks. Such rules and procedures shall be consistent with the terms of this Article.

18.2 Definitions. The following definitions shall apply in Article 18: (a) A "work" includes any copyrightable material, such as printed material, computer software or databases, audio and visual material, circuit diagrams, architectural and engineering drawings, lectures, musical or dramatic compositions, choreographic works, pictorial or graphic works, and sculptural works. Instructional technology material, as defined in Section 9.8(b), is included in this definition.

(b) An "invention" includes any discovery, invention, process, composition of matter, article of manufacture, know-how, design, model, technological development, strain, variety, culture of any organism, or portion, modification, translation, or extension of these items, and any mark used in connection with these items. Instructional technology material, as defined in Section 9.8(b), is included in this definition.

(c) "Instructional technology material" is defined in Section 9.8(b).

(d) "University support" includes the use of university funds, personnel, facilities, equipment, materials, or technological information, and includes such support provided by other public or private organizations when it is arranged, administered, or controlled by a university.

18.3 Works

(a) Independent Efforts.

A work made in the course of independent efforts is the property of the employee, who has the right to determine the disposition of such work and the revenue derived from such work. As used in this Section, the term "independent efforts" means that:

- (1) the ideas came from the employee;
- (2) the work was not made with the use of university support; and
- (3) the university is not held responsible for any opinions expressed in the work.

(b) University-Supported Efforts.

(1) If the work was not made in the course of independent efforts, the work is the property of the university and the employee shall share in the proceeds therefrom.

(2) Exceptions. The university shall not assert rights to the following works:

- a. Books, articles, and similar works, the intended purpose of which is to disseminate the results of academic research or scholarly study; and
- b. Works developed without the use of appreciable university support and used solely for the purpose of assisting or enhancing the employee's instructional assignment.

Legal Definition

Intellectual Property is any product of human intellect that is unique and un-obvious with some value in the marketplace. Intellectual property laws cover ideas, inventions, literary creations, unique names, business models, industrial processes, computer program code, and more. Intellectual Property law is primarily an umbrella term for three distinct areas of the law: Copyright, Trademark and Patent. Intellectual Property also deals with publicity rights, misappropriation, and unfair competition.

University of Kentucky

INTELLECTUAL PROPERTY DISPOSITION AND ADMINISTRATIVE REGULATION (APPROVED BY THE BOARD OF TRUSTEES)

I. PREAMBLE

Research leading to new knowledge and the transfer of this new knowledge through teaching and service are two of the major responsibilities of the University of Kentucky. Traditionally, these responsibilities have been met through teaching, publication, and demonstration. As early as 1946, the University recognized that some new knowledge or technology had commercial value and warranted protection through the patent process. In 1974, a copyright policy recognized the traditional rights of faculty to the written fruits of their scholarly activity and the University's rights of ownership to other materials produced as a result of direct assignments, e.g., videotapes, films, and programmed instruction materials.

Implicit in these developments was the understanding that the University not only had a responsibility to bring new knowledge into use by the general public, but also that such knowledge or technology sometimes has commercial value and should be treated as a financial asset to be used, conserved, or applied in such a way as to generate an appropriate financial return. Transfer of such information or technology through licensing satisfied both objectives, i.e., dissemination for use and the realization of a return.

Developments in recent years have broadened the scope of information and technology that can have potential commercial value and that, therefore, should be treated as assets subject to University ownership and control. In addition to new machines, compositions of matter, and written materials which traditionally have been the subject of patents and copyrights, new life forms, bioengineered agents, plant varieties, computer software, video courses, etc., are now normal outcomes of University activities. Thus, a broad policy covering all aspects of intellectual property is provided.

OBJECTIVES OF THE POLICY

- A. To facilitate the transfer of knowledge and technology and the utilization of such knowledge and the technology to the general benefit of society.
- B. To encourage research, scholarship, and a spirit of inquiry, thereby generating new knowledge.
- C. To provide an administrative system to determine the commercial significance of discoveries and new developments and to assist in bringing these into public use.
- D. To provide for the equitable disposition of interests in new intellectual property among the developer, author, or inventor (the originator), the University, and, where applicable, the sponsor.
- E. To provide incentives to originators in the form of personal development, professional recognition, and financial compensation.
- F. To safeguard intellectual property so that it may receive adequate and appropriate legal protection against unauthorized use.

ADMINISTRATIVE PROCEDURES

If the IPC determines that the University has a legal interest in the property and judges that there is a reasonable chance for successful commercialization, it shall: (1) inform the originator in writing that the University claims ownership rights to the property; (2) determine and record the rights of the originator to share in any income in accord with Section VII; and (3) refer the matter to UKRF together with its recommendations as to appropriate courses of action. The originator shall execute an assignment of ownership rights to UKRF as the designated agent of the University.

ROYALTY INCOME SHARING POLICY

A. Net income is defined as gross royalties, license fees, or other such payments received by UKRF on behalf of the originator and the University less necessary deductible costs, e.g., mailing or courier costs, interferences, licensing costs, patent enforcement, necessary travel, auditing fees, or sponsor shares. The phrase "gross royalties, license fees, or other such payments" means agreed upon payments specified in a license or other commercialization agreement usually expressed as a percentage of sales or a fixed dollar amount per unit manufactured in return for the right to use, copy, reproduced, make, or sell an item of intellectual property or product based on such property. UKRF shall reserve the right to suspend distribution of income where there is reason to believe that substantial deductible costs will be incurred in the future. The originator shall be informed of such decisions. An annual detailed accounting of income and costs shall be made available to the originator by UKRF.

B. Except as otherwise provided through supplementation under Section VII.C., net calendar year royalty or license income as defined in Section VII.A. derived from commercialization of intellectual property covered by this policy shall be shared as follows: 40% to the originator, 20% to the originator's department or immediate administrative unit, 20% to the dean of the originator's college, and 20% to UKRF.

C. In certain University units, because of conditions of employment and the nature of work assignments, and the fact that units often assume continuing responsibilities for maintenance and periodic revision of the property, an alternate distribution of net income to employees may be appropriate. Units wherein these situations may occur should propose appropriate modifications to the distribution scale in Section VII.B. Upon approval by the President, such modifications shall be added to this policy as unit supplements. Such modifications may not increase the combined shares of the originator and the department as specified in Section VII.B., except in unusual and very specific circumstances.

D. The department's share shall be retained in a separate account in UKRF and shall be available for expenditure by the department in accord with a budget to be approved by the Vice President for Research and Graduate Studies. Such funds may be allowed to build across fiscal years to reach amounts necessary for major purchases or other nonrecurring purposes. Such funds may be invested, and the income shall be credited to the account in accord with existing policy regarding investment of restricted funds.

E. The originator's rights to share in net income as stated above (but not including the department's share) shall remain with the individual or pass to the individual's heirs and assigns for so long as net income is derived from the property.

F. Where more than one individual is considered to be the originator, such persons will determine among themselves the individual share each will receive. In the event that they cannot reach such agreement, the determination shall be made by the IPC after giving each individual an opportunity to present a personal position. Such determination by the IPC shall be final.

G. Originators are encouraged to consider making a gift of all or a part of their income shares to support University research activities. Upon request by an originator, UKRF will retain all or a part of the originator's share in a separate account within UKRF for expenditure in accord with the originator's wishes. The originator may restrict such gifts to any particular program or unit of the University including the originator's own research program. Such requests may be limited in duration to a specific time period or to some specific future event, e.g., the originator's retirement or resignation from the University, and may be cancelled or modified by the originator at any time.

H. This policy shall not change income-sharing agreements entered into prior to the adoption of this policy.

Revenue Distribution (Indiana University)

Monetary Proceeds: All monetary proceeds from the transfer or commercialization of applicable intellectual property shall be distributed as follows, unless legal requirements or contractual agreements require otherwise:

Of the first \$100,000 of net revenue:

The Creator(s), or Creator's heirs, successors, and assigns, shall receive one-half (50%) of the net revenue arising from applicable intellectual property.

The Campus(es) responsible for the applicable intellectual property shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research activities.

The University shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research and technology transfer activities.

Of the next \$300,000 of net revenue:

The Creator(s), or Creator's heirs, successors, and assigns, shall receive forty percent (40%) of the net revenue arising from applicable intellectual property.

The Campus(es) responsible for the applicable intellectual property shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research activities.

The University shall receive thirty-five percent (35%) of the net revenue arising from the applicable intellectual property to support research and technology transfer activities.

Of the next \$600,000 of net revenue:

The Creator(s), or Creator's heirs, successors, and assigns, shall receive thirty percent (30%) of the net revenue arising from applicable intellectual property.

The Campus(es) responsible for the applicable intellectual property shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research activities.

The University shall receive forty-five percent (45%) of the net revenue arising from the applicable intellectual property to support research and technology transfer activities.

Of net revenue in excess of \$1,000,000:

The Creator(s), or Creator's heirs, successors, and assigns, shall receive twenty-five percent (25%) of the net revenue arising from applicable intellectual property.

The Campus(es) responsible for the applicable intellectual property shall receive one-quarter (25%) of the net revenue arising from the applicable intellectual property to support research activities.

The University shall receive one-half (50%) of the net revenue arising from the applicable intellectual property to support research and technology transfer activities.

The University Research and Policy Committee shall review the dollar thresholds set forth above, and revise them as necessary in light of inflation and other economic factors, not less than once every five years after the effective date of this Policy.

In the absence of a written agreement to the contrary, multiple Creators shall receive equal portions of the Creator(s)' share of net revenue. When multiple Creators are located on different Campuses, each Campus shall receive the same percentage of the total Campus share of net revenue as the Creators located on that Campus receive of the total Creator share of net revenue.

The distribution on each Campus of the Campus(es)' share of net revenue among Schools and Departments shall be determined according to written policies to be developed on each Campus. Those policies shall ensure that such distributions equitably reflect the role of Schools and Departments in the development of applicable intellectual property.

Special facts concerning applicable intellectual property may warrant a different distribution of net revenue. Agreements with respect to alternative allocation of revenues shall be in writing and require the consent of the Creator(s), the Dean(s) of the Creator(s)' School(s), the Chancellor(s) of the Creator(s)' Campus(es), and the Vice President for Research and Dean of the Graduate School or his or her designee.

Equity Interests

The Technology Transfer Office may negotiate, but shall not be obligated to negotiate, for equity interests in lieu of or in addition to monetary consideration as a part of an agreement between Indiana University and an external entity relating to applicable intellectual property. Such negotiations shall comply with federal and state statutes, and conflict of interest and commitment and other University policies.

Except as provided below, each Creator shall make an irrevocable election between subparagraphs (a) and (b) below as to the distribution of his or her share of equity interests, or the proceeds from the sale therefrom, resulting from the transfer or commercialization of applicable intellectual property, unless legal requirements or contractual agreements require otherwise:

The University shall own the equity interests. If and when monetary proceeds are generated by the sale of equity interests, those proceeds shall be distributed according to the policies set forth herein for revenue distribution. The University does not act as a fiduciary for any Creator concerning equity interests or other nonmonetary consideration received under the terms of this Policy and no Creator shall have any interest in, or legal right to, such equity interests or nonmonetary consideration.

The University shall distribute to any Creator making this election that Creator's share of the equity interests resulting from the transfer or commercialization of applicable intellectual property. The Creator's share of the equity interests shall be determined according to the following formula:

The fair market value of the equity interests shall be determined as of the next business day after the day on which the Creator requests the distribution.

The University shall then set aside that portion of the equity interests which is equal in value to the direct expenses incurred by the University for obtaining intellectual property protection of the applicable intellectual property (unless those expenses have been covered as part of the distribution of monetary proceeds).

The University shall then transfer to the Creator that portion of the remaining equity interests to which the Creator would be entitled under Section 4(a) (Monetary Proceeds) above, based on the total value of the remaining equity interests.

The Creator shall not have the right to specify the distribution of equity interests under Section 4(b)(ii)(b) where such distribution is impossible or impractical.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 22, 2004

SUBJECT: Immunity for business jointly owned by the University of Alaska and an employee of the university. (HB 282)

TO: Representative Sharon Cissna
Attn: Heather Gardner

FROM: Jean M. Mischel
Legislative Counsel 

You have asked for a brief opinion today pertaining to whether a business enjoys civil immunity if the business is jointly owned by the University of Alaska and one of its employees, as allowed on page 2, lines 4 - 6 of HB 282. Due to its context, your question is being interpreted as a question of whether the business entity enjoys sovereign immunity as an entity of the state.

The short answer is no since there is no express provision in the bill regarding the immunity status of the business and since the business does not operate as an exclusive entity to fulfill a statewide function.

A court will review the circumstances in a particular case to determine whether a business is an exclusive entity needed to meet statewide needs and therefore should be treated as an arm of the state for sovereign immunity purposes under AS 09.50.250.

The Alaska Supreme Court has reviewed the status of the university itself as a state entity in a couple of instances. In those cases, the court held that the corporate status of the university did not preclude consideration of the university as an arm of the state. See, e.g., Elstad v. Department of Natural Resources, 979 P.2d 1000 (1999); University of Alaska v. Aircraft Services, 536 P.2d 121 (1975). But the court also reviewed the evidence to determine whether the university was an exclusive entity fulfilling a governmental function.

In the instance of a jointly-owned business described in HB 282, a court will probably question whether the business is being operated in place of a state entity to fulfill a governmental function. Since the business would be set up for research and development purposes or as a result of research already conducted, the business appears to fulfill a joint public and private function and therefore would probably not be construed by a court to be a state entity for sovereign immunity purposes.

If I may be of further assistance, please advise.

JMM:med
04-069.med