



### 12.2.1 Intellectual Property Net Income Distribution

Chapter 12 - Intellectual Property	Original Effective Date: February 2004
Section: 12.2 Intellectual Property Royalty Distribution	Date Last Reviewed: September 2021
Responsible Entity: Vice President for Strategic Industry Ventures	Date Last Revised: September 2021

#### I. Purpose

The University of Texas System (UT System) Board of Regents (Board) and UT Health San Antonio (University) encourage the development of intellectual property to enhance research, scholarship, teaching, and discovery in the best interest of the public, the creators and research sponsors. This Policy is also intended to promote the objectives of the Bayh-Dole Act (35 U.S.C. §§ 200 et. seq.) to encourage reporting and commercialization of technologies developed using federal (e.g., NIH, NSF, NASA, DOD) funds. This Policy describes the distribution of net income received by OTC for the commercialization of intellectual property.

#### II. Scope

This net income distribution policy applies to (1) all persons employed by the University, including but not limited to full and part-time faculty and staff and visiting faculty members and researchers and (2) to anyone using the facilities or resources of the University, including but not limited to students, residents, participants in certificate programs or collaboration programs, or postdoctoral and pre-doctoral fellows. This net income distribution policy is in accordance with Regents' Rule [90001, Intellectual Property, Preamble, Scope, Authority](#). In the event of a conflict between this net income distribution policy and Board Rule 90101, Board Rule 90101 shall govern.

#### III. Policy

Intellectual property either developed within the course and scope of University employment of the individual or resulting from activities performed on UT System time, or with support of State funds, or from using facilities or resources owned by the UT System or any of its universities (other than incidental use) is automatically owned by the Board. The course and scope of employment includes outside activities related to the employee's area of expertise. Final decisions regarding ownership of intellectual property developed in connection with outside employment will be made by the President or their designee. Employees who engage in outside activities must adhere to the procedures

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outlined in the Institutional Handbook of Operating Policies (IHOP) section [10.1 Ethics, Standards of Conduct, and Relationships with External Entities](#).

All matters relating to the ownership and reporting of intellectual property, the commercialization of intellectual property and the distribution of income from intellectual property are governed by the UT System Board of Regents' Rules and Regulations (Regents' Rules) [90001, Intellectual Property, Preamble, Scope, Authority](#).

The mission of the Office of Technology Commercialization (OTC) is to create and drive value from discovery of innovation to practical use for the public good. To fulfill this mission, OTC is responsible for protecting the University's valuable innovative assets via intellectual property protection as well as subsequent creation of value meeting the criteria established by the OTC. Examples of OTC metrics are licenses created, partnerships initiated, new companies launched, and revenue attained via commercialization.

### A. Distribution of Intellectual Property Net Income

Intellectual property agreements may yield a variety of different financial payments, which may include, but are not limited to, up-front license fees, milestone payments and royalties ("Consideration"). All such Consideration is received by OTC, which will maintain accounts documenting intellectual property expenses, income, and disbursement. Licensing income will be distributed according to the university's policy as detailed below.

Before disbursing licensing Consideration, OTC will deduct the expenses that the University has incurred to protect, manage, market, and commercialize the intellectual property. "Net revenue" or "Net consideration" is the revenue remaining after all direct costs of patent prosecution and maintenance, payments to other institutions required by UT Health San Antonio agreements to include and not limited to inter-institutional agreements to manage jointly owned patents and, reimbursement for advancement of technology commercialization.

For all Intellectual Property in which the U.S. Department of Veterans Affairs has not asserted ownership rights, Net Distributable Income shall be distributed according to Schedule A.

#### 1. Schedule A

- a. For Net Distributable Income less than or equal to \$400,000 for the distribution fiscal year:
  - i. 40% Creator(s)
  - ii. 5% Creator(s) School
  - iii. 55% OTC
- b. For Net Distributable Income greater than \$400,000 for the distribution fiscal year:

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- i. 40% Creator(s)
  - ii. 10% Creator(s) School
  - iii. 50% OTC
2. Schedule B
  - a. Schedule B shall apply to any Intellectual Property in which the U.S. Department of Veterans Affairs has asserted ownership rights:
    - i. 30% Creator(s)
    - ii. 70% OTC
3. Distribution Schedule
  - a. OTC will process distributions of income annually on or before the 30th day of the first month of the University fiscal year. The University may, in its sole judgment, withhold or delay distribution of any income if there are foreseeable Development Expenses yet to be incurred.
  - b. The University may in addition, in its sole judgment, withhold or delay distribution of any income to Schools if the University determines it is in the best fiscal interest of the University. In instances where funds are held because of foreseeable Development Expenses or where Development Expenses exceed University Net Income, an accounting of such will be sent to the Creator's School indicating the amounts received for the current period and the amount of the anticipated expense or deficit. Once expenses are known with certainty, any excess Net Distributable Income will be distributed.
  - c. In the circumstance of the death of a Creator, OTC will distribute funds to the Creator's legal beneficiary after appropriate notification by the representative of the Creator's estate, heirs, or devisees. The University cannot advise individuals on the tax consequences of distribution payments. It is the sole responsibility of the Creator to inform the University of any changes of address for payments.
4. Multiple Creators
  - a. In circumstances wherein an Invention or Work was created by two or more persons, the Creators' share will be divided equally among all Creators unless the Creators agree to a different distribution percentage.
  - b. In the case of different percentage distributions within a Creator group, the OTC must be notified in writing at the time of Intellectual Property disclosure to OTC. The portions distributed to the School(s) will be determined by the Creator's academic unit when the Intellectual Property was disclosed to OTC. If there is more than one academic unit, the distribution will be divided amongst the academic unit in accordance with the Creators' written distribution percentage.

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- c. In the case of multiple inventions or works, the University shall resolve any potential conflicts concerning the applicable distribution schedules after reviewing Intellectual Property involved.
5. Separation from the University
  - a. If a Creator should leave the University, the Creator shall continue to receive the distribution according to the HOP distribution policy in effect in the current fiscal year. Any determinations regarding the distribution of the program portion of Net Distributable Income shall be at the sole discretion of the University.
  - b. The University and OTC will utilize its share of the Net Distributable Income to support the commercialization of research activities at the University. Funds allocated to academic units/Schools must be used solely for the support of research at the University.
6. Equity Considerations
  - a. The University may elect to accept equity or other ownership interests from licensees in lieu of cash payments in consideration of the transfer of Intellectual Property rights. The decision to accept equity or other ownership interests is made at the sole discretion of the University, and the University is not obliged to make a disbursement of equity or other ownership interest to the Creator(s) or the School(s) until the equity or other ownership interest is sold.
  - b. The Board will own the equity interest, and the University may exercise all rights of ownership including, but not limited to, the rights to vote equity interests on all matters that are subject to the consent or approval of the holders of equity interests (including voting for the election of directors, approving or disapproving amendments to articles of incorporation). The decision as to when to sell or exchange equity resides with the Board, the OTC, and the University in its sole discretion.
  - c. When selling, exchanging, or otherwise disposing of any equity or other ownership interests, University may agree to pay commissions or other fees or charges and may incur expenses as it shall determine at its sole discretion. All such expenses are considered Development Expenses in determining Net Distributable Income.
  - d. OTC departmental employees are not entitled to receive a distribution of Net Distributable Income, regardless of their creative contribution to Intellectual Property.

### B. Revocation or Amendment

This intellectual revenue distribution policy is subject to prospective revocation or amendment by UT Health San Antonio. In cases of doubt as to the interpretation of the Policy, a final decision will be rendered in consultation with the Office of

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Technology Commercialization by the Vice President for Strategic Industry Ventures with approval by the President.

### C. Effective Date

This net income distribution policy is effective immediately. This Policy applies to all Net Distributable Income distributed by OTC on or after September 1, 2019 for Intellectual Property disclosed to OTC on or after January 1, 2004 and to Net Distributable Income distributed on or after September 1, 2019 for all present and past agreements for the transfer of intellectual property rights executed by UT Health San Antonio with an effective date of January 1, 2004 or later.

## IV. Definitions

*When used in this document with initial capital letter(s), the following words have the meaning set forth below unless a different meaning is required by context.*

Creator – any individual or group of individuals, affiliated with the University or not, who make, conceive, reduce to practice, invent, author, or otherwise make a substantive intellectual contribution to the creation of Intellectual Property.

Development Expenses – all monies paid by University for goods and services to protect, develop, or enhance the marketability or any aspect of Intellectual Property, including, but not limited to, patent legal and filing fees, Intellectual Property protection, enforcement and defense expenses, marketing expenses, maintenance fees, consulting fees, prosecution expenses, expenses incurred in the formation of companies, expenses incurred in the management of stockholdings, expenses incurred in the review and protection of equity rights and other ownership interests, travel, attorneys' fees, commercialization expenses, translational funding, and research costs. Development expenses do not include salaries of University administrative personnel.

Faculty, Staff, Employee, or Adjunct – any individual employed by the University as collectively defined in the University policies or any individual that is paid a salary, stipend, or is otherwise subject to the policies of the HOP or Board Rule 90101.

Agreement Gross Revenue – the consideration paid to University under an agreement for the license, option, or transfer of Intellectual Property, including: proceeds from the sale, lease, transfer, or other conveyance of Intellectual Property by the University; license issue fees, option fees, running royalties, equity and ownership interests, except that such equity or other ownership interests, or portion thereof, shall not be considered Agreement Gross Revenue until the equity or other ownership interests, or portion thereof, are sold by the Board. Agreement Gross Revenue includes revenue received from third-party intellectual property co-owners pursuant to an agreement for the management or joint ownership of Intellectual Property.

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Intellectual Property (IP) – means and includes, inventions, any disclosures of inventions either orally or in writing, scientific discoveries and improvements; know-how; works of authorship; software; other creative, artistic, or copyrightable works; trademarks and service marks; and any other tangible and intangible results of research (including, for example, data, lab notebooks, charts, biological materials, cell lines and samples). IP also includes physical embodiments of intellectual effort, including, but not limited to, models, machines, devices, designs, apparatus, instrumentation, circuits, computer programs, biological materials, chemicals, other compositions of matter, plants, research records and data, and laboratory notebooks and reports.

Invention – any discovery, invention, process, composition of matter, article of manufacture, know-how, design, model, technological development, biological material, strain, variety, culture of any organism, or portion, modification, translation, or extension of these items, and any mark used in connection with these items.

Equity – defined to include stock, the right to receive stock or an ownership interest in a business.

Net Distributable Income – Agreement Gross Revenue (including equity monies received) less all Development Expenses and, if applicable, less distributable revenue payable to third-parties pursuant to an agreement for the management or joint ownership of Intellectual Property.

OTC – the Office of Technology Commercialization. OTC is responsible for implementation of Board Rule 90101: Intellectual Property, concerning all matters relating to patents, trademarks, and copyrights related to identification, protection, defense, and commercialization of Board-owned Intellectual Property. The OTC represents the University in the implementation of this net income distribution policy regarding governmental entities, industry, and the public. Only the Board, the President of University, the Vice President for Strategic Industry Ventures, or their designees are authorized to commit available University funds for the expenses of licensing and patenting inventions on behalf of the University.

School – any individual school within UT Health San Antonio, including the Long School of Medicine, the School of Dentistry, the Graduate School of Biomedical Sciences, the School of Nursing, and the School of Health Professions.

Work – 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, and pictorial or graphic works.

**V. Related References**

[Office of Technology Commercialization \(OTC\)](#)

**VI. Review and Approval History**

- A. The approving authority of this policy is the University Executive Committee.
- B. The review frequency cycle is set for three years following the last review date, a time period that is not mandated by regulatory, accreditation, or other authority.

<b>Effective Date</b>	<b>Action Taken</b>	<b>Approved By</b>	<b>Date Approved</b>
<b>02/2004</b>	Policy Origination		
<b>09/2005</b>	Policy Revision		
<b>03/2020</b>	Policy Revision		
<b>06/2020</b>	Policy Revision	Exec Committee	06/26/20
<b>09/2021</b>	Policy Revision	ICPO	09/29/21