Louisiana State University System
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Subject: LSU Intellectual Property – PM-64

This Memorandum replaces and supersedes prior PM-64 dated September 30, 1991, and the changes are to Paragraph D. Sponsored Research.

The purpose of PM-64 is to establish guidelines under the newly revised Chapter VII (Patents & Copyrights) of the Regulations of the Board of Supervisors. The immediate motivation for both the revised version of Chapter VII and PM-64 was the 1990 amendment to the State constitution permitting universities to acquire stock in exchange for rights in intellectual property, Desirable changes in other areas have also been made. The distribution of royalties has been modified, and clarifications have been made on several questions that have arisen in the course of administering LSU Intellectual Property.

The definitions of Chapter VII of the Regulations apply to this PM-64. The term "inventor" in this Memorandum shall be construed to include an "author", if appropriate in a given context. Similarly, the term "invention" shall be construed to include a "copyright" or "other intellectual property", if appropriate in a given context.

A. Distributable Royalties.

(1) Basic Rule.
Forty percent (40%) of all Distributable Royalties shall be paid to the respective inventors within thirty days of receipt, unless a different schedule is otherwise agreed in writing by LSU and any inventor. Ten percent (10%) of all Distributable Royalties shall be allocated to the Office of the President. The remaining fifty percent (50%) of all Distributable Royalties shall be allocated within the appropriate campus as directed by the Chancellor of that campus, except that none of this amount may be allocated directly to any individual. Exceptions to this basic rule are found in Sections 7-3(e)(1) and (3) of the new Chapter VII.

On written request by an LSU inventor, a portion of that inventor's share of Distributable Royalties will be paid to any other LSU personnel who helped reduce the invention to practice.

(2) Multiple Entities.
The distribution of Distributable Royalties becomes more complicated when more than one inventor, department, or campus is involved. Such a situation can arise in several ways. A single invention may have several joint inventors. One joint inventor may be an LSU employee, while another joint inventor has no affiliation with LSU. An inventor may have a joint appointment with two departments or two campuses. A single license agreement may simultaneously license two or more inventions. The distribution of Distributable Royalties in these situations will be proportional to certain presumed

contributions to total Distributable Royalties by the different entities involved, as specified in the Appendix below.

B. Litigation Proceeds.

Because of the expenses and risk inherent in litigation and other means of dispute resolution, that part of the LSU System which funds such expenses shall be entitled to recover double its legal and other associated expenses before any other distribution of Litigation Proceeds. After this recovery of double expenses, any excess Litigation Proceeds shall be distributed according to the formula used for Distributable Royalties.

C. Nonelected LSU Intellectual Property.

If LSU elects not to pursue or maintain any item within the definition of LSU Intellectual Property. in LSU's discretion LSU (with the concurrence of any research sponsor, if necessary) may assign that item to the respective inventor(s). The President or his designee may exercise this authority.

D. Sponsored Research.

(1) LSU Elects to Retain Intellectual Property Rights

Any intellectual property rights that LSU retains under a sponsored research agreement will be deemed LSU Intellectual Property. All LSU personnel who participate in an authorized sponsored research agreement must comply with the terms and conditions of the agreement concerning intellectual property, and shall take appropriate steps to preserve LSU's intellectual property rights under the agreement. In particular, such personnel must comply with the contractual reporting requirements regarding disclosure of any invention made under research sponsored by a federal agency.

To protect LSU's rights in inventions made under research sponsored by a federal agency, additional procedures shall be followed to ensure that timely disclosures and elections are submitted to federal funding agencies:

(a) The officer responsible for technology transfer at each campus shall promptly review each initial disclosure document filed by any LSU personnel with that officer, and in consultation with the researcher(s), shall determine the pertinent source(s) of funding. For each invention made under research sponsored by a federal agency, the technology transfer officer shall submit a written disclosure of the invention to the appropriate federal funding agency within two months of the technology transfer officer's receipt of the initial disclosure of the invention.

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(b) Each patent attorney or patent agent responsible for drafting and filing any new LSU patent application (whether a patent attorney on contract with LSU, a patent attorney for an LSU licensee, or otherwise) shall be instructed in all cases to ascertain from the inventor(s) the source of any pertinent funding, and where appropriate to include at the beginning of the specification of the patent application a statement acknowledging the federal sponsor. Where such a statement is appropriate, contemporaneously with filing the patent application the patent attorney shall notify the federal funding agency that LSU elects to retain title to the invention, and shall simultaneously send to the agency a copy of the application as filed. If either the patent attorney or the campus technology transfer officer realizes that more than two years may lapse between the initial disclosure to the funding agency and the filing of the patent application, the two shall confer to discuss the reasons underlying the delay; if the campus technology transfer officer decides under the circumstances that LSU should elect to take title, the campus technology transfer officer shall so notify the funding agency before the second anniversary of the initial disclosure to the agency.

(2) LSU Elects Not to Retain Title to or Not to Pursue Patent Protection for a Federally-Funded Invention.

To comply with federal law, the following procedures should be followed if LSU elects not to retain title, or elects to abandon patent protection for a federally-funded invention:

(a) If LSU elects not to retain title to a federally-funded invention, the federal agency should be notified in writing within two years of the initial disclosure to the agency. If LSU elects not to retain title to a federally-funded invention, LSU may not assign, even to the inventor, any rights to the invention without the approval of the federal agency.

(b) After electing to take title to a federally-funded invention and filing a patent application, LSU should notify the federal agency of any decision to discontinue prosecuting the application, not to pay maintenance fees on an issued patent, or not to defend in an reexamination or opposition proceeding. The patent attorney handling the application or patent should notify the federal agency at least thirty days before the last day on which action may be taken to prevent abandonment.

(3) LSU Elects To Retain Title to Unpatented Biological Material

If the federal funding agency is the National Institutes of Health (NIH), and if the federally-funded invention is a biological material, under NIH guidelines LSU may elect to retain title and the right to license the biological materials, even if they are unpatented. To retain title to such unpatented biological materials, LSU must comply with certain terms and conditions set by NIH, including the following: (a) the campus technology

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transfer officer must make a written request to NIH for LSU to retain title; (b) information describing the materials must be made publicly available, for example by publication; and (c) LSU's licensing activities must ensure that the biological materials remain available to the nonprofit research community.

E. Restrictions on Publication.

Research sponsors and intellectual property licensees frequently request restrictions on publications of relevant subject matter. Before LSU can consent to any such restrictions on publication, both of the following conditions must be satisfied: (1) the restrictions must be tailored to be the least restrictive conditions which will satisfy the legitimate concerns of the sponsor or licensee; and (2) the consent must be obtained of all LSU personnel likely to be affected by the proposed restrictions on publications.

F. Retroactivity.

The revised Chapter VII of the Regulations of the Board of Supervisors, and this revised Permanent Memorandum 64 shall generally have prospective effect-only, but their provisions may provide guidance in determining the effect of earlier events. However, in the case of Multiple Entities, Section A(2) and the Appendix of the revised Permanent Memorandum 64 shall apply in all cases.

Where a disclosure on an invention is submitted to the respective campus' Technology Transfer Office on or before September 30, 1991, the inventors' share of Distributable Royalties for that invention shall be determined in accordance with PM-64. By written request received by that Technology Transfer Office on or before November 30, 1991, any such inventor may instead opt to have the inventors' share of royalties determined under these new provisions. In either case, the relative distribution within LSU of LSU's share of Distributable Royalties shall be governed solely by this revised Permanent Memorandum 64 (adjusted proportionately in cases where the inventor's share of Distributable Royalties continues to be governed by prior PM-64.)

Where a disclosure on an invention is submitted to the respective campus' Technology Transfer Office on or after October 1,1991, that invention shall in all respects be governed by the revised Chapter VII and this revised Permanent Memorandum 64.

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Appendix -Multiple Entities

Following are the details regarding presumed contributions to Distributable Royalties in the case of multiple entities under Section A(2) above:

(1) By contract, negotiation, litigation, or otherwise, LSU and any other party not affiliated with LSU shall resolve any apportionment issue between LSU and that other party. Only LSU's part of this apportionment may be considered "Distributable Royalties."

(2)

(a) Each invention associated with particular total revenues (e.g., each patent or patent application licensed in a single license agreement), in the absence of any agreement by LSU providing the contrary, shall be presumed to have contributed equally to those total revenues (not just to Distributable Royalties).

(b) For each invention, each LSU joint inventor shall be presumed to have contributed equally to Distributable Royalties for that invention.

(c) The respective contributions to Distributable Royalties from different departments or campuses shall be presumed to be the sum of the contributions thus determined for the inventors associated with each department or campus. If one inventor has appointments with more than one department or campus, each such department or campus shall be deemed to participate equally in the departmental or campus contribution to Distributable Royalties associated with that inventor, unless the invention concerned clearly resulted from work done by that inventor in association with only one of the departments or campuses.

(d) No predetermined formula for allocating Distributable Royalties can do justice in all cases. By unanimous written consent of all affected persons or entities, the above proportions may be modified. If the above proportions are felt to be inequitable in a given case, and the affected parties cannot agree on different proportions, the Chancellor or the Chancellor’s designee (of if more than one campus is involved, the President or the President's designee) shall make an allocation among the parties based on the merits of the individual case. This allocation by the Chancellor or President shall be final and unappealable.

The following hypothetical example will illustrate these principles for handling royalties in the case of multiple entities, in the absence of an agreement providing a different distribution.

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Example

$100,000 in total revenue has been received under a single license for four inventions: Invention 1, Invention 2, Invention 3, and Invention 4. The license agreement does not allocate royalties among the four inventions.

Invention 1 was conceived by A and B. Invention 2 was conceived by B, C, and D. Invention 3 was conceived by A, B, and E. Invention 4 was conceived by C.

Inventors A and B are in department X on campus Q. Inventor C has a joint appointment with departments X and Y on campus Q. Inventor D is in department Z on campus R. Inventor E is employed by W Corporation.

Invention 3 was conceived by A, B, and E during joint research by LSU and W Corporation. Separate negotiations between LSU and W Corporation have established that W Corporation's share of licensing revenues from this license agreement will be 10% of the total revenue. W Corporation has no rights in inventions 1, 2, and 4.

Distribution.

(1) W Corporation receives its 10% of total revenues, or $10,000. Then $90,000 in Distributable Royalties remain.

(2)

(a) The Office of the President receives 10% of total Distributable Royalties, or $9,000.
(b) Each of the four inventions is presumed to have contributed equally, or $25,000 each, to total revenues. The Distributable Royalties for Inventions 1, 2, and 4 are thus $25,000 each. Because of the payment of $10,000 to W Corporation, Distributable Royalties for Invention 3 are $15,000.
(c) For each invention, each LSU joint inventor is presumed to have contributed equally to the Distributable Royalties received for that Invention. Thus, these "contributions" are:

Invention 1, 1/2 x $25,000 =	$12,500 each for A and B
Invention 2, 1/3 x $25,000 =	$8,333 each for B, C, and D
Invention 3, 1/2 x $15,000 =	$7,500 each for A and B
Invention 4, all $25,000 for C	

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The total contributions to Distributable Royalties allocated to each LSU inventor are thus:

A	Invention 1	$12,500
	Invention 3	7,500
		$ 20,000
B	Invention 1	$12,500
	Invention 2	8,333
	Invention 3	7,500
		$ 28,333
C	Invention 2	$8,333
	Invention 4	25,000
		$33,333
D	Invention 2	$8,333

The inventors are entitled to 40% of their respective "contributions," i.e., A--$8,000; B--$11,333; C--$13,333; and D--$3,333.

(d) The departments' and campuses' "contributions" to Distributable Royalties are the sum of the "contributions" for their respective personnel, reduced (as in the case of C) if necessary for any joint appointments. The department "contributions" are thus:

X-A, B, and half of C	=	$20,000 + 28,333 + (1/2) ($33,333)
	=	$65,000
Y--half of C = (1/2) ($33,333)	=	$16,667

Z-D = $8,333

Similarly, the campus "contributions" are:

Q-A, B, and C = $20,000 + $28,333 + $33,333 = $81,667

R-D = $8,333

The campuses' net share of Distributable Royalties is 50% of their respective contributions, i.e., Q-$40,833; and R-$4,167. The distribution of these amounts within the campuses shall be as directed by the Chancellors of campuses Q and R. Any departmental shares of Distributable Royalties should (in general) be proportional to their total "contributions". In other words, X would receive $65,000 / $81,667 =79.6%

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of the departmental share for a, and Y would receive \$16.667 /\$81,667 =20.4% of the departmental share.

(e) Thus the total \$100,000 received is distributed as follows:

A-\$8,000; B-\$11,333; C-\$13,333; D-\$3,333; Q-\$40,833; R-\$4,167;

President's Office--\$9,000; W Corporation-\$10,000.

The share of campuses Q and R are further distributed within those campuses as directed by their respective Chancellors.

Note: For many license agreements the relative distribution percentages will be constant over time, and will thus only have to be calculated once, and not separately for each new payment received. Also note that the above example was deliberately chosen to be more complex than is typical to illustrate the principles involved.