

17.01.03 Commercial Development of Intellectual Property

Revised [March 1, 2023](#)

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Regulation Summary

This regulation describes the process for commercial development of The Texas A&M University System's (system) intellectual property (IP).

Definitions

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Regulation

1. LICENSING OF INTELLECTUAL PROPERTY TO THIRD PARTIES

Licensing of intellectual property to third parties, which may include IP creators, is the most common strategy used for technology transfer. In the case of exclusive licensing, the third party is given the necessary rights to justify the often significant investment of time and resources in the commercial development of the intellectual property. Given the breadth of research taking place within the system and the diversity of the intellectual property created, each license agreement is somewhat unique to the intellectual property being licensed. However, there is a need to ensure consistency with respect to certain legal principles in each agreement.

1.1 Texas A&M Innovation (TI) and the System Office of General Counsel (OGC) will cooperatively develop model agreements for licensing/granting right to system intellectual property. All intellectual property agreements are subject to review and approval by OGC as to form and legal sufficiency. However, OGC at its sole discretion may designate certain agreements not requiring OGC review and approval if modifications to such agreements do not alter the normal intellectual property licensing terms previously approved by OGC.

1.2 Regarding member-owned works for hire and trademarks, the member has the primary responsibility and authority, with assistance from OGC, for negotiating with third parties having an interest in using, developing or otherwise commercializing such intellectual property. OGC reviews all licenses and other agreements related to the

commercialization of intellectual property for compliance with state law and system policy. All intellectual property agreements are subject to review and approval by OGC as to form and legal sufficiency.

- 1.3 Commercial distribution of system-owned tangible research property (TRP) is managed by TI. TI must ensure that the TRP distribution agreements contain provisions which address proper use, limits on IP creator's and member's liability for the TRP or products derived therefrom and other necessary terms. OGC also reviews any TRP distribution agreements for legal sufficiency and compliance with state law and system policy. Sharing of any income resulting from the distribution of commercialized TRP is made in accordance with System Regulation *17.01.04, Distribution of Royalties, License Fees and Sale Proceeds from Licensing*.
- 1.4 Licensing of multiple intellectual properties included in a license agreement requires a multiple IP relative weight (importance/value) agreement between and among the IP creators currently employed at the system or any of its members. This agreement sets forth the relative weight of each of the intellectual properties included in a single license agreement. This multiple IP relative weight agreement for IP creators does not change the previously agreed upon multiple IP creators sharing agreement for a particular intellectual property. (See System Regulation *17.01.02, Evaluation and Protection of Intellectual Property*.) However, this multiple IP relative weight agreement for IP creators affects the distribution of the IP creators' portion across all of the intellectual properties included in a single license agreement. (See System Regulation *17.01.04*.) In the event that the IP creators currently employed at the system or any of its members cannot agree upon an appropriate multiple IP relative weight agreement within 60 days of the signing of such a license agreement, the chancellor or designee will decide for the IP creators the relative weight of the intellectual properties included in the license agreement. Such a decision by the chancellor or designee is final and binding on all the IP creators for the intellectual properties in the subject license agreement.

2. LICENSING AND AGREEMENT GUIDELINES

OGC establishes legal guidelines to be followed for all agreements for the use, development, and commercialization of intellectual property owned or controlled by the system, or in which the system has an interest. OGC may approve exceptions to these guidelines on a case-by-case basis.

License agreements and other related agreements may contain such other provisions as may be determined by TI and OGC to be in the best interest of the system and/or member. However, a member's interest cannot supersede the interests of the system.

3. EQUITY AND INVESTMENT AS A CONSIDERATION IN LICENSING

3.1. TI may negotiate an equity interest in lieu of or in addition to royalty and/or other monetary consideration as part of a license agreement that licenses rights in intellectual property owned by the system, or in which the system has an interest.

3.2. TI and/or a member may invest money or in-kind support with a licensee of such license agreement described in Section 3.1 in return for an equity interest in such licensee's

company (hereinafter referred to as Investment Equity) through a process defined by OGC. All Investment Equity is owned and held by the system. If a member(s) invests money or in-kind support in exchange for such Investment Equity, that Investment Equity related to the member(s)'s investment is held by the system for the benefit of the member(s). The system is not restricted in the percentage of equity it may take in a company as a part of such license agreement. (See System Policy *17.01, Intellectual Property Management and Commercialization.*)

3.3. Except for Investment Equity, the distribution of income from equity received as consideration for a license agreement is distributed in the same manner as royalties and license fees as described in System Regulation *17.01.04*. The system has sole discretion of the disposition of the shares of equity, which includes distribution, sell, conversion or other related transactions¹. This may include agreeing to receive the equity interest under terms that restrict its ability to sell, distribute or otherwise deal with the equity interests.

3.4. As stated in Texas Education Code, Section 153.007, and except as otherwise provided by law, the system Board of Regents, the system, members and employees of the system do not owe a fiduciary duty to any person claiming an interest in consideration received by the system or a member in exchange for intellectual property.

3.5. Individuals subject to this policy should also refer to System Regulation *31.05.01, Faculty Consulting and/or External Professional Employment*, regarding equity ownership.

4. RESEARCH SUPPORT AS CONSIDERATION IN LICENSING

If TI, with the concurrence of a member or the system, accepts research support in a license for the member or the system in the form of a sponsored research agreement or unrestricted grant as part of a licensing agreement relating to rights in intellectual property owned or controlled by the system in addition to or in lieu of royalties, license fees, equity and/or other monetary consideration, the IP creator(s) has no entitlement to receive a share of the research support or grant as personal income.

5. APPROVAL AND SIGNATORY FOR INTELLECTUAL PROPERTY AGREEMENTS

All intellectual property documents concerning intellectual property owned or controlled by the system, or in which the system has an interest must be approved and signed by the chancellor or designee who is delegated the power to sign for the system for commercializing system intellectual property.

6. ASSIGNMENT OF EXISTING INTELLECTUAL PROPERTY

The assignment of existing intellectual property to third parties (non-system or members) must be approved by the chancellor or designee through a process defined by OGC.

¹ Approval from a member(s) CEO may be required if such shares of equity are held on behalf of one or more members.

7. WAIVER OR RELEASE OF SYSTEM RIGHTS

At its sole discretion, TI may waive or release the system's rights in specific intellectual property to all the IP creators of such intellectual property, clearing the way for the IP creators to seek ownership and pursue commercialization on their own. At any time, an IP creator(s) may request a waiver or release of the system's rights in such intellectual property in writing to TI. TI is not obligated to grant such a waiver or release. In addition, TI may not be able to waive or release such intellectual property due to federal and/or state research agreements or sponsorship agreements. If TI grants a waiver or release, such waiver or release may be subject to restrictions set forth in the above agreements. The following provisions apply to any waiver or release of the system's rights in such intellectual property.

- 7.1 The system must retain a perpetual, royalty-free license to use the intellectual property and any corresponding patents, copyrights, trade secrets, service marks or trademarks for research and educational purposes.
- 7.2 The system requires that the cost of legal protection that has not been reimbursed by a licensee be paid back to the system from commercialization proceeds at a rate determined by TI at the time of waiver or release.
- 7.3 In the case of significant use of resources as set forth in System Regulation *17.01.01, Ownership of Intellectual Property and Tangible Research Property*, the system may elect to receive a share, to be negotiated at the time of waiver or release of the system's rights, of proceeds generated from commercialization of the intellectual property after the IP creator recovers documented out-of-pocket cost of legal protection for the intellectual property. If there was not a significant use of resources, no such share of proceeds will be sought. The use of significant resources will be resolved by TI.
- 7.4 In the case of a waiver or release of the system's rights to the IP creator(s), the IP creator(s) will not receive a share of the proceeds received by the system in consideration of the waiver or release of the system's rights. If there are multiple IP creators, such waiver or release of the system's rights will be to all IP creators and not to any individual or group of IP creators.
- 7.5 In the case where IP creator(s) are owners or officers of an entity that previously licensed the specified intellectual property, such waiver or release of system rights to the IP creator(s) requires system approval in a process defined by OGC.
- 7.6 All waiver or release agreements must be approved by OGC.
- 7.7 Any IP creator(s) receiving a waiver or release of the system's rights must review potential conflicts of interest with the IP creator(s)'s department head. For additional information on conflicts of interest, see System Policies *07.01, Ethics*, and *07.03, Conflict of Interest, Dual Office Holding and Political Activities*, and System Regulations *15.01.03, Financial Conflicts of Interest in Sponsored Research*, and *31.05.01*.

8. TECHNOLOGY COMMERCIALIZATION FUNDS

The chancellor or designee may establish one or more funds to support the discovery, creation, authorship, development, protection and/or commercialization of system intellectual property.

Related Statutes, Policies or Requirements

[Tex. Educ. Code § 51.912](#)

[Tex. Educ. Code Ch. 153](#)

[System Policy 07.01, Ethics](#)

[System Policy 07.03, Conflicts of Interest, Dual Office Holding and Political Activities](#)

[System Regulation 15.01.03, Financial Conflicts of Interest in Sponsored Research](#)

[System Policy 17.01, Intellectual Property Management and Commercialization](#)

[System Regulation 17.01.01, Ownership of Intellectual Property and Tangible Research Property](#)

[System Regulation 17.01.02, Evaluation and Protection of Intellectual Property](#)

[System Regulation 17.01.04, Distribution of Royalties, License Fees and Sale Proceeds from Licensing](#)

[System Policy 31.05, External Employment and Expert Witness](#)

[System Regulation 31.05.01, Faculty Consulting and/or External Professional Employment](#)

Member Rule Requirements

A rule is not required to supplement this regulation.

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