

ACTION ITEM #4

Revisions to the Faculty Manual – Patent Policy (Erica Weintraub Austin)

May 6, 2016

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Revisions to the Faculty Manual

PROPOSED: That the Board of Regents approve the attached changes to the Faculty Manual – Patent Policy

SUBMITTED BY: Erica Weintraub Austin, Interim Co-Provost

**SUPPORTING
INFORMATION:**

Washington State University (WSU) has placed an increased emphasis on its innovation-based activities, including but not limited to commercialization, student engagement, and external research partnerships. As a part of this process WSU has simultaneously engaged in an internal review of its policies and procedures to ensure they are aligned with the best practices and incentives to support these activities. As a part of this internal review, an 18-month process begun in 2014 to ensure the policies around commercialization and other IP-related matters contained within the faculty manual were aligned with WSU's stated goals in these areas.

The Intellectual Property Committee, at a series of meetings, evaluated WSU's IP policies in three main categories:

- Royalty Distribution
- Allowable reimbursable expenses
- Enforcement funds

After benchmarking WSU's policies with those of our peer institutions, and engaging faculty with the process (including the Faculty Affairs Committee and the Faculty Senate broadly, and related stakeholder groups), the following changes were suggested to Section IV-G of the Faculty Manual regarding Patent Policy:

Section 8. Division of Patent Royalties

“(5). The OC Enforcement Fund allocation will be deducted only when necessary to maintain a \$150,000 balance for all inventions under this

section 8; the distribution to the OC Enforcement Fund will cease while the Fund maintains a \$150,000 balance and the University share will then be distributed equally to the Vice President for Research and the OC Commercialization Fund. Any enforcement expenses incurred above \$150,000 would be shared by all parties that share in the income, in the proportion of their share of income, for that specific invention and will be deducted as legal expense in step 8.a.1. Any net proceeds, after expenses, earned as a result of enforcement will be used to first replenish the Enforcement Fund. Any net proceeds remaining after replenishing the Enforcement Fund will be added to Adjusted Income.

An advisory body comprising a representative from each of the inventor/creator/breeder groups contributing to the OC Enforcement Fund and other appropriate faculty and administrators will make recommendations on the use of the OC Enforcement Fund to the President via the Office of Commercialization. The President may then make recommendations to the Board of regents Regents who have the final authority to initiate a legal action on behalf of WSU."

9. Public Release Agricultural Research Center Plant Varieties

"b.) Seed Propagated Crops

(1). In the case of contracted marketing, licensing and business development, all monies remaining after contractor expense will be distributed to WSU. as agreed upon between WSU. ~~and the contractor.~~

(2). The University or its designee will then deduct the costs of obtaining and maintaining legal protection, for each plant variety to arrive at "Adjusted Income".

(3). Ten percent (10%) of the Adjusted Income capped at \$20,000 per fiscal year per seed propagated variety, will be retained by the OC as an "Enforcement Fund for all Seed Propagated Crops" to be used for legal claims against University intellectual property related to seed propagated crops to arrive at "Net Income". The OC Enforcement Fund allocation will be ~~in effect~~ deducted only when necessary to maintain a \$150,000 balance for all seed propagated crops; 10% of the Adjusted Income distribution to the OC Enforcement Fund will cease while the Fund maintains a \$150,000 balance and the Adjusted Income will then be equal to the Net Income. Any enforcement expenses incurred above \$150,000 would be equally shared by all parties that share in the income, in the proportion of their share of income, for that specific seed propagated variety. Any net proceeds, after expenses, earned as a result of enforcement will be used to first replenish the Enforcement Fund. Any net proceeds remaining after replenishing the Enforcement Fund will be added to Adjusted Income. ~~to arrive at the Net Income for distribution.~~

An advisory body comprising a representative from each of the inventor/creator/breeder groups contributing to the OC Enforcement Fund and other appropriate faculty and administrators will make

recommendations on the use of the OC Enforcement Fund to the President via the Office of Commercialization. The President may then make recommendations to the Board of regents Regents who have the final authority to initiate a legal action on behalf of WSU."

9. Public Release Agricultural Research Center Plant Varieties

"c.) Vegetatively propagated crops

(1). In the case of contracted marketing, licensing and business development, all monies remaining after contractor expense will be distributed to WSU, ~~as agreed upon between WSU and the contractor.~~

(2). The University or its designee will then deduct the costs of obtaining and maintaining legal protection, for each plant variety to arrive at "Adjusted Income".

(3). Ten percent (10%) of the Adjusted Income, capped at \$20,000 per fiscal year per vegetatively propagated variety, will be retained by the OC as an "Enforcement Fund for all Vegetatively Propagated Crops" to be used for legal claims against University intellectual property related to vegetatively propagated crops to arrive at "Net Income". The OC Enforcement Fund allocation will be ~~in-effect~~ deducted only when necessary to maintain a \$150,000 balance for all vegetatively propagated crops; 10% of the Adjusted Income distribution to the OC Enforcement Fund will cease while the Fund maintains a \$150,000 balance and the Adjusted Income will then be equal to the Net Income. Any enforcement expenses incurred above \$150,000 would be equally shared by all parties that share in the income, in the proportion of their share of the income, for that specific vegetatively propagated variety. Any net proceeds, after expenses, earned as a result of enforcement will be used to first replenish the Enforcement Fund. Any net proceeds remaining after replenishing the Enforcement Fund will be added to Adjusted Income. to arrive at the Net Income for distribution. An advisory body comprising a representative from each of the inventor/creator/breeder groups contributing to the OC Enforcement Fund and other appropriate faculty and administrators will make recommendations on the use of the OC Enforcement Fund to the President via the Office of Commercialization. The President may then make recommendations to the Board of Regents who have the final authority to initiate a legal action on behalf of WSU."

The following is a high-level overview of the proposed changes as denoted above:

- Simplify royalty distribution table from 3 tiers to 2 tiers –
 - Eliminate the third tier that reduces faculty portion from 50% to 25%
 - Only two tiers: \$1-\$10K: 100% to faculty; >\$10K: 50-50 split
- Allow funds for commercialization projects
- Allow for enforcement of IP
 - Recent patent law suits

- Protecting our patents in light of new case law (gene markers and method patents)
- Plant varietal infringement matters

Below is an example of the proposed financial changes and the effect they have on distributed amounts to researchers:

Tier	Current Distribution	Proposed Distribution
\$1-\$10k (eg., \$10k)	\$10k	\$10k
\$10,001 - \$200k (eg., \$200k)	\$100k	\$100k
\$200,001 and up (eg., \$500k)	\$125k	\$250k

This change was approved by the Faculty Affairs Committee on February 2, 2016 and passed by the Faculty Senate on February 25th, 2016.