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McMASTER UNIVERSITY


INTELLECTUAL PROPERTY POLICY

As approved by Senate: May 27, 1998

As approved by Board of Governors: June 11, 1998

1 Introduction and Objectives

- 1.1 The purpose of McMaster University (hereinafter the “University”) is the discovery, communication, and preservation of knowledge. The vision of the University is to achieve international distinction for creativity, innovation and excellence.
[reference: McMaster University Mission Statement]
- 1.2 Discoveries are an objective of the University. As a part of their obligation to society in general, the University and its members have a responsibility to communicate these discoveries to the public. Some of these discoveries may have commercial value which should be exploited to the mutual advantage of those concerned. If the use of these discoveries can be limited or controlled by physical or legal means, the discoveries may also be referred to as “intellectual property.”
- 1.3 The objectives of this policy are to:
 - (a) encourage any member of the University who may have created or discovered intellectual property to disseminate that property to the public in a manner that benefits both the member and the University;
 - (b) recognize and uphold the principles of academic integrity in the possible commercialization of intellectual property;
 - (c) develop a body of knowledge and expertise within the University in order to permit the continued successful commercialization of intellectual property in the future;
 - (d) outline clearly the ownership rights in any newly created or discovered intellectual property as between the University and its members and the obligation for related costs and the division of related revenues;
 - (e) provide for the rights and obligations of the University and its members in protecting and exploiting any newly created or discovered intellectual property; and
 - (f) provide exclusions for certain types of intellectual property from this policy.
- 1.4 It is possible that, at times, the academic mission of the University may conflict with the potential commercialization of intellectual property. As the academic mission of the University should take priority, the following principles shall take precedence over any other aspect of this policy where applicable:


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- (a) members of the Teaching Staff have the right to determine whether or not any new creation or discovery for which they are responsible should be commercialized. Prior to making such a decision, the University may be asked to review any such creation or discovery and provide advice on the possible commercial value thereof. In spite of such a review, the member shall be solely responsible for the decision to proceed with commercialization;
- (b) members of the University community who have decided to pursue the commercialization of any creation or discovery may be asked to withhold publication of any material or not to make any presentation thereof only for a reasonable period of time not exceeding six (6) months from the time full disclosure is made to the University. This period of time shall be used by the University to assess the intellectual property and to allow for any applicable legal protection to be put into place;
- (c) no member of the Teaching Staff nor any Student shall be required to engage in any work or research which prohibits the results of the work or research from publication or disclosure to the public unless:
 - (i) that person provides their informed consent to engage in such work or research; and
 - (ii) in the case of any Student, their involvement in the work or research does not conflict or jeopardize the timely completion of any academic requirements and that the School of Graduate Studies has agreed to such participation.

2 Definitions

In this policy, the following terms, when capitalized, shall have the following meanings:


- 2.1 The “Director” means the Director of the ORCIP;
- 2.2 “Disclosure Form” means the form established under section 7.1 hereof;
- 2.3 The “IP Board” means the Intellectual Property Board created herein;
- 2.4 “IP Creator” has the meaning defined in section 5.1 hereof;
- 2.5 “Intellectual Property” means databases, audio-visual material, electronic circuitry, biotechnology and genetic engineering products, computer software recorded in any format, inventions, discoveries and all other products of research (which inventions, discoveries or other products are capable of protection pursuant to any law of Canada or any other country or which may be otherwise licensable) where any of the foregoing are created, whether by discovery, invention or otherwise by an IP Creator as hereinafter defined.
- 2.6 “Non-teaching Staff” has the same meaning as that term is defined in the *McMaster University Act, 1976*;
- 2.7 “ORCIP” means the Office of Research Contracts & Intellectual Property of the University;

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- 2.8 “Student” has the same meaning as that term is defined in the *McMaster University Act, 1976*;
- 2.9 “Teaching Staff” has the same meaning as that term is defined in the *McMaster University Act, 1976*; and
- 2.10 the “University” means McMaster University created under the *McMaster University Act, 1976*;

3 Responsibility for this Policy

- 3.1 ORCIP is responsible for providing the administrative needs of this policy.
- 3.2 The Director of the ORCIP is responsible for the administration of this policy.
- 3.3 The Director shall be responsible to the Vice-President (Research and International Affairs.) The Vice-President (Research & International Affairs) shall establish a procedure to monitor the performance of the ORCIP which procedure shall include soliciting comments from the general University community on the performance of the ORCIP.
- 3.4 Unless otherwise indicated, the Director may delegate any duty assigned hereunder to any staff member of the ORCIP.
- 3.5 The Patent Board of the University existing at the date of the coming-into-force of this policy is continued as the Intellectual Property Board.
- 3.6 The IP Board shall consist of the following members:
 - (a) Vice-President (Research & International Affairs), who shall act as Chair of the Board;
 - (b) The Director, who shall act as Secretary of the IP Board;
 - (c) Five (5) members of the Teaching Staff appointed by the President of the University, after consultation with the Vice-President (Research & International Affairs) and the President of the McMaster University Faculty Association, for a term of three (3) years which may be extended for no more than two (2) additional terms; and
 - (d) Three (3) other persons who have experience in the commercialization of intellectual property appointed by the Board of Governors of the University on the recommendation of the President of the University.
- 3.7 The IP Board shall from time to time establish its own rules of procedure which shall be consistent with practices within the University. Such rules shall also provide that when the IP Board is acting in a quasi-judicial fashion in making decisions that rules of natural justice shall be applied.

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3.8 The duties of the IP Board shall include:

- (a) preparing an annual report to the Senate and Board of Governors of the University on intellectual property and its commercialization;
- (b) the recommendation to the Senate and the Board of Governors of the University of any revisions required to this or any other University Policy relating to intellectual property;
- (c) the resolution of issues of disputed discovery among two or more IP Creators of the same intellectual property or the division of income as between IP Creators;
- (d) the resolution of any other issues relating to the commercialization of intellectual property at the University including, without limitation, the decision whether or not to proceed with commercialization in the case of joint IP Creators where there is no unanimous agreement among them as to commercialization; and
- (e) the recommendation to the Vice-President (Research & International Affairs) of the manner in which income arising from intellectual property should be allocated which recommendation shall give consideration to the distribution of some portion of that income to the area of the University in which the intellectual property arose. The actual allocation shall be subject to agreement between the Vice-President (Research & International Affairs) and the Faculty involved.


4 Intellectual Property Covered by this Policy

4.1 Intellectual Property has the meaning defined in section 2.5 hereof.

4.2 In the case of members of the Non-teaching Staff, Intellectual Property shall include anything created or discovered by them when the terms of their employment require them to engage in the activity that resulted in the creation or discovery;

4.3 Intellectual Property shall *not* include:

- (a) copyright in and title to lecture notes, laboratory manuals, articles, books, artifacts, works of visual art, maps, charts, plans, photographs, engravings, sculptures and music, no matter in which format any of the foregoing materials may have been recorded or embodied including, without limitation, a computer readable format, where any of the foregoing material has been created by someone who is a member of the Teaching Staff;
- (b) computer software that is either ancillary to or the functional equivalent of any of the items described in paragraph (a) hereof where such material has been created by someone who is a member of the Teaching Staff;
- (c) any matters dealt with in the *Policy for the Distribution of Income from the Sale of Instructional Materials* (March 16, 1981) or the *Ownership of Student Work Policy* (April 30, 1990);

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- (d) anything created or discovered by someone in the course of demonstrably private research outside of their University duties or in the course of activities as a consultant to outside persons when such consulting activities otherwise comply with *the Statement on Consulting Policy and Procedures* (January, 1976);
- (e) subject to the *Ownership of Student Work Policy* (April 30, 1990) and provided that there has not been a significant use of University resources (the level of which shall be determined by the IP Board) anything independently created or discovered by a Student as part of the academic requirements of a program or course of study at the University; or
- (f) any material which is in the public domain.

4.4 Any member of the University can seek a binding opinion from the IP Board as to whether or not any particular matter is or is not Intellectual Property within the scope of this policy. Non-binding opinions as to the same subject matter may be sought from the Director.

5 Persons Covered by this Policy


5.1 In this policy, the term “IP Creator” means an individual who:

- (a) creates or discovers any Intellectual Property; and
- (b) is any one of:
 - (i) a member of the Teaching Staff
 - (ii) a member of the Non-teaching Staff;
 - (iii) a Student;
 - (iv) a person who is permitted to use any facilities of the University in a manner which is normally not available to a member of the general public except on special request.

5.2 Acceptance of the terms and conditions of this policy shall be a condition of employment or enrolment, as the case may be, of:


- (a) every member of the Teaching Staff and Non-teaching Staff;
- (b) every Student; and
- (c) every person who is permitted to use any facilities of the University in a manner which is normally not available to a member of the general public except on special request.

5.3 This policy shall supersede the *Patent Policy and Procedure* on its approval by the Senate and the Board of Governors of the University. All matters relating to Intellectual Property that were dealt with in the former policy shall be governed by this policy. Any provisions of this policy that are more onerous to an individual than the former policy shall only come into force one year after the date this policy is approved with the former policy’s similar provisions applying until that time.

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6 Decision to Commercialize

- 6.1 An IP Creator who is a member of the Teaching Staff may make the decision to commercialize any newly created or discovered Intellectual Property. The decision and the disclosure of the creation or discovery must be made and communicated to the Director at least six (6) months prior to any publication or presentation that would have the effect of putting the new Intellectual Property in the public domain.
- 6.2 In the event that a decision to commercialize any newly created or discovered Intellectual Property has the effect of requiring any Student to be delayed in the presentation of any material required for the successful completion of the Student's academic requirements, the delay cannot be more than six (6) months from the time that the Student first advises the School of Graduate Studies and the ORCIP of the Student's ability to make such a presentation.
- 6.3 A decision to commercialize any Intellectual Property shall bind the IP Creator to the procedure established by this policy.
- 6.4 In the event that any newly created or discovered Intellectual Property is the result of the joint effort among more than one IP Creator, the decision to commercialize may proceed with the unanimous consent of the joint IP Creators failing which the matter will be referred to the IP Board for a decision.
- 6.5 In the case of any newly created or discovered Intellectual Property created by a member of the Non-teaching Staff, the decision to commercialize shall be made by that person's supervising member of the Teaching Staff or the Vice-President of the relevant administrative unit of the University.
- 6.6 In the case of any newly created or discovered Intellectual Property created by a Student, the decision to commercialize may proceed with the unanimous consent of:
- (a) the Student;
 - (b) the Student's supervising member of the Teaching Staff;
 - (c) any other collaborators;
 - (d) in the case of a graduate Student, the School of Graduate Studies;
 - (e) in the case of an undergraduate Student, the relevant Dean or Dean's delegate; and
 - (f) the ORCIP.
- In the event that there is no unanimous agreement the matter shall be referred to the IP Board for a decision.
- 6.7 In the event that a decision is made not to commercialize any newly created or discovered Intellectual Property, such Intellectual Property shall be considered to have been dedicated to the public domain from the date of the first publication describing the Intellectual Property.

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7 Disclosure


- 7.1 A disclosure to the University of the creation or discovery of any new Intellectual Property shall be made to the Director in the form established by the IP Board from time-to-time (hereinafter the “Disclosure Form.”) The Director shall provide reasonable assistance to the IP Creator in the completion of the Disclosure Form.
- 7.2 A copy of the Disclosure Form shall be sent by the Director to the appropriate Departmental Chair.
- 7.3 The Disclosure Form shall contain sufficient information to describe the new Intellectual Property and to permit an assessment thereof.
- 7.4 In some cases, an IP Creator may wish to provide limited disclosure of the creation or discovery of any new Intellectual Property to third parties. Such disclosure shall be permitted only if the IP Creator has arranged for the third parties receiving such information to have signed a non-disclosure agreement in form and substance satisfactory to the Director.
- 7.5 In some cases, a member of the University may wish to provide material or products (such as, without limitation, biological or genetic samples) to third parties. Such material or products may be transferred only if the member of the University has arranged for the third parties receiving such material or products to have signed a material transfer agreement in form and substance satisfactory to the Director and, in the case of a transferee which is a for-profit entity, the appropriate fees prescribed by the Director for such transfer have been paid.

8 Receiving Disclosures and Materials

- 8.1 In some cases, members of the University may wish to receive disclosure from third parties of the creation or discovery of intellectual property of those third parties. The receipt of such disclosure shall be permitted if the IP Creator has entered into appropriate arrangements in form and substance satisfactory to the Director or the appropriate Departmental Chair with the third parties providing such disclosure.
- 8.2 In some cases, members of the University may wish to receive material or products (such as, without limitation, biological or genetic samples) from third parties. Such material or products may be received only if the member of the University has entered into appropriate arrangements in form and substance satisfactory to the Director or the appropriate Departmental Chair with the third parties providing such materials or products.

9 Initial Ownership of Intellectual Property

- 9.1 The University shall be the owner of all newly created or discovered Intellectual Property.
- 9.2 An IP Creator shall only deal with newly created or discovered Intellectual Property in accordance with this policy.

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9.3 Notwithstanding sections 9.1 and 9.2 hereof, certain agreements (such as grants, sponsorships, research and affiliation agreements) have been or will be entered into by the University with third parties. Such agreements may contain provisions whereby Intellectual Property is transferred, assigned, licensed or otherwise disposed of to such third parties. The provisions of such agreements shall supersede this policy:

- (a) when the agreement involves the work of a graduate Student, when the Dean, School of Graduate Studies and the Vice President (Research & International Affairs) have approved that the agreement shall so supersede and the Dean, School of Graduate Studies has been provided a copy of the agreement;
- (b) when the agreement involves an affiliation between the University and a teaching hospital, when the Vice-President (Health Sciences) and the Vice-President (Research & International Affairs) have approved that the agreement shall so supersede; or
- (c) in any other case, when the Vice President (Research & International Affairs) and any member of the Teaching Staff who may be affected by such agreement have approved that the agreement shall so supersede;

failing which this policy shall continue to apply in precedence to such agreement.

10 Retention of University Ownership Right


10.1 After a Disclosure Form has been received, the Director shall review the Intellectual Property disclosed.

10.2 The review to be conducted by the Director may include an assessment of the potential commercial value of the Intellectual Property. The Director may also consult with third parties in the review provided that the third parties receiving such information have signed a non-disclosure agreement in form and substance satisfactory to the Director.

10.3 The Director shall make a recommendation to the IP Board as to whether the University should proceed with the commercialization of any particular Intellectual Property.

10.4 With respect to any Intellectual Property, the IP Board may, after considering the recommendation of the Director, decide that:

- (a) the University is interested in proceeding with the protection and commercialization of the intellectual Property; or
- (b) the University has no further interest in the Intellectual Property in which case, the Intellectual Property may, at the request of the original IP Creator, be transferred to the IP Creator.


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11 Transfer of University Owned Intellectual Property

- 11.1 An IP Creator who is a member of the Teaching Staff may request the University to transfer ownership of Intellectual Property to the IP Creator. Such a request may only be made with respect to Intellectual Property for which a Disclosure Form has been filed. After the receipt of such a request, the Director shall meet with the IP Creator as soon as reasonably possible which, in normal circumstances, will not exceed one (1) month. At the meeting, the IP Creator and the Director will review the IP Creator's plans for the commercialization of the Intellectual Property.
- 11.2 A decision on the IP Creator's request shall be made within six (6) months provided that the University and IP Creator may agree in writing to further extensions of this time as may be required.
- 11.3 After the meeting referred to in section 11.1 the IP Board shall consider the request and any recommendation of the Director. The IP Board shall not unreasonably withhold approval of the IP Creator's request. The IP Board's approval shall be subject to such reasonable terms and conditions that the IP Board may establish at the time of such approval. Such terms and conditions shall take into account the provisions of section 13.5 providing for the sharing of revenues.
- 11.4 No resources of the University and, in particular the ORCIP, shall be available to an IP Creator to whom Intellectual Property has been transferred. The IP Creator shall be solely responsible for any accounting or reporting requirements and the costs related to any professional advice required.


12 Commercialization of Intellectual Property

- 12.1 The Director shall consult with the IP Creator in the commercialization by the University of Intellectual Property. Such consultation will include exploring the opportunities for further research to be performed by the IP Creator or others at the University, the potential revenues which may arise and the payment of costs related to patent applications and other aspects of commercializing the Intellectual Property.
- 12.2 The IP Creator shall have no responsibility for the payment of any costs relating to the commercialization by the University of Intellectual Property.
- 12.3 The actual method of commercializing Intellectual Property shall be the determination of the IP Board after considering any recommendation of the Director.
- 12.4 In the event that the IP Board after considering any recommendation of the Director determines that the University no longer wishes to continue to commercialize any Intellectual Property the University may discontinue such efforts provided that there are no outstanding contractual commitments relating thereto, and further provided that the IP Creator has been offered a transfer of any existing rights relating to the Intellectual Property.
- 12.5 The ORCIP will report periodically to the IP Creator on the commercialization of Intellectual Property created by the IP Creator and the revenues arising therefrom.

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13 Revenue Sharing

- 13.1 In this section, the term Gross Revenues (when used in its capitalized form) shall mean all revenue or other consideration generated by the commercialization of Intellectual Property.
- 13.2 In this section, the term Net Revenues (when used in its capitalized form) shall mean Gross Revenues less all out-of-pocket direct expenses of the person pursuing such commercialization including any patent application fees or fees reasonably paid to third parties for any relevant purpose.
- 13.3 With respect to any Intellectual Property arising from an IP Creator who is a member of the Teaching Staff commercialized by the University, the IP Board after considering any recommendation of the Director and based on any representations that the IP Creator wishes to make, may decide that either of the following methods shall be used to share the Net Revenues arising therefrom:
- (a) **Re-Investment in Research Method** – Net Revenues shall be divided as follows:
- (i) 25% to the IP Creator;
 - (ii) 25% to the University for unrestricted purposes;
 - (iii) 35.7% to the University to be placed in a research account for research similar to or a continuation of the project from which the Intellectual Property was derived and which research account will have the IP Creator as a signing authority thereof; and
 - (iv) 14.3% to the University as an Indirect Cost Recovery (Research Overhead) on the amount placed in the research account; or
- (b) **No Re-Investment Method** – Net Revenues shall be divided as follows:
- (i) 50% to the IP Creator; and
 - (ii) 50% to the University for unrestricted purposes.
- The choice of method to be used in any particular case and the actual percentages to be used shall be the decision of the IP Board after considering any recommendation of the Director and shall take into account the representations of the IP Creator and whether further research in an area might likely generate further Intellectual Property that could be commercialized.
- 13.4 With respect to any Intellectual Property arising from an IP Creator who is a member of the Non-teaching Staff or of a Student commercialized by the University, the IP Board after considering any recommendation of the Director and based on any representations that the IP Creator wishes to make, shall determine what portion of Net Revenues, if any, will be paid to the IP Creator.
- 13.5 With respect to any Intellectual Property commercialized by the IP Creator, the University shall normally seek one of the following methods to share the revenues arising therefrom:

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- (a) **Royalty on Gross Revenues** – The University shall be paid a royalty of five percent (5%) on the Gross Revenues arising from the commercialization of the Intellectual Property; or
- (b) **Share of Net Revenues** – The University shall be paid a twenty-five percent (25%) share of the Net Revenues arising from the commercialization of the Intellectual Property.

The choice of method to be used in a particular case and the actual percentages to be used shall be the decision of the IP Board after considering any recommendation of the Director and shall take into account the nature of the Intellectual Property and its likely method of commercialization and whether the University has the potential for generating further research contracts from the IP Creator.

- 13.6 In the event that any return on Intellectual Property that is commercialized is in the form of an equity investment, the foregoing percentages shall be considered in determining an equitable sharing of such equity between the University and the IP Creator.
- 13.7 Any monies to be paid to an IP Creator shall, if in excess of \$10,000 per year, be reported on and paid semi-annually and otherwise reported on and paid annually.
- 13.8 Prior to payment of any monies to an IP Creator, the Director shall ensure that a plan for the reimbursement of costs incurred by the University is in place.
- 13.9 A portion of the Net Revenues retained or received by the University will be used to support research at the University with particular consideration being given to those faculties, departments or laboratories in which the Intellectual Property originated. The actual proportion shall be subject to agreement between the Vice-President (Research & International Affairs) and the Faculty concerned.

14 Multiple IP Creators

- 14.1 In the event that there are more than one IP Creator for any Intellectual Property, the Director, after consultation with the IP Creators, shall approve the list of IP Creators and the division of any revenues among them which shall be commensurate with their relative contributions to the Intellectual Property. Any dispute relating to either the relative contributions of multiple IP Creators or their revenue entitlement shall be decided in accordance with any applicable existing procedure or, in the event that no such procedure exists, by the IP Board in accordance with rules and procedures established by the IP Board.

15 Quinquennial Review

- 15.1 This policy shall be reviewed by the IP Board no more than five (5) years after its approval. The IP Board shall, as part of such review, provide recommendations for the improvement of this policy.