

ADMINISTRATIVE GUIDE

SECTION: Research

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SUBJECT: Patents and Other Intellectual Property

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NOTE: Any questions concerning this *Policy on Patents and Other Intellectual Property* or requests for printed copies of this Policy or any previous version of this Policy should be addressed to the Office of Technology Administration (OTA) at 713-798-6821.

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## POLICY ON PATENTS AND OTHER INTELLECTUAL PROPERTY

Capitalized terms used throughout this Policy are defined in Article X. These definitions form an integral part of this Policy and must be read in conjunction with the provisions of this Policy.

- I. **GENERAL.** Please note - Certain of the matters discussed generally in this Article I are discussed in greater detail elsewhere in this Policy.
  - A. **Objective of the Policy.** The mission of the College is to promote health for all people through education, research, and public service. An integral part of the responsibilities of all College Personnel working at or using the facilities of the College is to develop advances in, or relating to, the field of medicine and other areas of science and technology. This Policy addresses the ownership of rights in, the commercialization of, and other issues relating to, such advances, herein called "Baylor Intellectual Property." This Policy shall govern the rights and obligations of the College and of all College Personnel with respect to Baylor Intellectual Property.
  - B. **Application of the Policy to All College Personnel.** This Policy, including the provisions governing the assignment of rights to Intellectual Property, is a condition of all appointments or employment by, or enrollment in, the College; of the renewal or continuance of such employment, appointment or enrollment; and for the use of facilities made available by or through the College. Acceptance of such appointments, employment or enrollment; use of such facilities; or compensation or other benefits from the College shall make the provisions of this Policy applicable to all such College Personnel notwithstanding the lack of more formal employment, appointment, enrollment or use arrangements such as written agreements. All College Personnel shall comply with the provisions of this Policy.
  - C. **Ownership of Rights.** This Policy provides that all ownership and control of Baylor Intellectual Property shall be in the College, except where otherwise specifically provided. By way of example, the ownership of Baylor Intellectual Property may be governed by grants, awards and contracts (which must be approved in writing by the College) relating to such Intellectual Property or the funding therefor, or by applicable government regulations. These typically provide that the College owns or has the right to elect ownership of the Intellectual Property.
  - D. **Commercialization.** In furtherance of supporting its threefold mission of education, research and public service, the College may, in its sole discretion, either directly or with the assistance of its Affiliates or third parties, develop or commercialize Baylor Intellectual Property. This may include such activities as the sale, assignment or licensing of rights to

Baylor Intellectual Property or the establishment or expansion of corporations, partnerships or other commercial enterprises, all as may be decided by the College.

**E. Recognition of Academic Pursuits.** The College encourages all College Personnel to work through traditional academic channels with respect to Baylor Intellectual Property developed by them while at the same time preserving and protecting all rights of the College in and to such Intellectual Property.

**F. Disclaimer of Certain Relationships Between the College and College Personnel.** This Policy does not create nor shall it be construed to create a joint venture, partnership or other similar relationship between the College and any College Personnel. The College (including its Affiliates) has no fiduciary or similar duty to College Personnel with respect to seeking protection for, or the commercialization of, Baylor Intellectual Property, nor do they assume such duties by undertaking the activities pursuant to this Policy. Employees, attorneys and other advisors of the College do not represent College Personnel in the matters covered by this Policy or otherwise without express written acknowledgement to such College Personnel of such representation.

## **II. OWNERSHIP OF INTELLECTUAL PROPERTY.**

**A. Assignment.** Baylor Intellectual Property is and shall be regarded as the proprietary property of the College, owned and controlled solely by the College, and all rights thereto shall be determined and administered by the College as provided in this Policy. As a condition of their appointment, employment or enrollment by, or working at, the College, or use of facilities made available by or through the College, or in consideration for the compensation or other benefits received from or through the College (including the use of facilities), all College Personnel hereby assign to the College, effective as of the date it is Developed, all Baylor Intellectual Property Developed by them. All College Personnel shall execute and deliver all instruments of assignment and conveyance and such other documents as may be requested by the College, in the form required by the College, to evidence or more fully set forth such assignment of rights to the College or which enable the College to secure, preserve, enforce and protect patent or other protection for such rights.

**B. Excluded Intellectual Property.**

1. At the request of the Developer(s) of Intellectual Property, the OTA is authorized to consider whether such Intellectual Property constitutes Baylor Intellectual Property as defined by this Policy. OTA shall promptly refer to the Patent and Copyright Committee (“Committee”) its recommendation on this issue for a determination pursuant to Section VII.A.5. The Developer(s) shall provide information and assistance to OTA sufficient to enable OTA to make its

recommendation. Upon a final determination pursuant to this Policy that Intellectual Property is not the property of the College, at the request of the Developer(s), the College will execute an acknowledgement to the Developer(s) that it has no ownership interest in such Intellectual Property.

2. With respect to Intellectual Property that is the property of its Developer(s), the Developer(s) may, at any time, request that the College accept title or other rights in such Intellectual Property and make the Intellectual Property subject to this Policy. Any such request shall be considered by the OTA who may, with the concurrence of the President, accept such Intellectual Property subject to such terms and conditions as the OTA and the Developer(s) may agree in writing. If the College agrees to accept the transfer of ownership or other rights, the Developer(s) shall transfer such rights in the Intellectual Property to the College. Upon such transfer, the invention (or the rights actually transferred, as may be the case) shall be deemed to be Baylor Intellectual Property and, except as the OTA and the Developers shall have expressly agreed otherwise in writing, shall be administered and controlled by the College as set forth in this Policy.

- C. **Copyrightable Works**. Consistent with the College's support of academic freedom, College Personnel (excluding staff members) are treated as the owner of Copyrightable Works that are independently authored for traditional academic purposes, unless a written agreement to the contrary has been made in advance. As a condition of employment at the College, the author of a Copyrightable Work will provide an indefinite royalty-free non-exclusive license to the College to use, copy, distribute and make derivatives and compilations of a Copyrightable Work published by the College, whether in electronic form or otherwise.

In instances where the College makes unusual commitments of facilities, personnel and resources in the production of a Copyrightable Work, the College may be entitled to ownership or license rights pursuant to terms of a formal, written agreement. Where possible, this determination will be made at the beginning of the project and before the work is created.

In instances where a Copyrightable Work (such as software) is also patentable, the work will be treated as Baylor Intellectual Property and the provisions of this section on Copyrightable Works will not apply.

### III. DISCLOSURE AND PROTECTION OF INTELLECTUAL PROPERTY

#### A. Disclosure of Intellectual Property.

1. Any College Personnel who has Developed any Baylor Intellectual Property as herein defined shall promptly complete the applicable Disclosure Form and deliver the same to the Department Chair for signature and then to the OTA. College Personnel recognize that valuable rights may be lost due to delays in disclosure of Developed Intellectual Property. The Disclosure Form shall be completed to (i) provide detailed data concerning the Baylor Intellectual Property so that it can be evaluated from a protection and commercialization standpoint, (ii) furnish other information required by such form and (iii) formally assign and confirm the assignment of all rights in the Baylor Intellectual Property to the College or its designee. All College Personnel listed on the Disclosure Form shall sign the form. If it is impractical to obtain all signatures promptly, the form shall be submitted with available signatures. The Department Chair(s) shall, as soon as practical, indicate that he or she has reviewed the submission by signing and forwarding the Disclosure Form to the OTA together with his or her comments and such other data or materials which would be of assistance in evaluating the Baylor Intellectual Property.
2. Any College Personnel who has Developed Intellectual Property during the period they serve as College Personnel but which they believe does not constitute Baylor Intellectual Property shall follow the procedures of Sections II.B.1 and VII.A.5 for a determination of this issue.

**B. OTA Recommendation.** Upon receipt of the original Disclosure Form, the OTA shall proceed with its review of the Baylor Intellectual Property described and consider the issues of protection and suitability for commercialization. The OTA shall promptly make a recommendation to the Office of General Counsel (“OGC”) whether to seek patent or other form of protection for the Baylor Intellectual Property. This recommendation shall be made after obtaining all pertinent information and following all necessary reviews and other actions required by the OTA.

**C. Patent and Other Protection.** In each instance in which the OTA elects to seek patent or other protection for Baylor Intellectual Property, the OTA shall submit the appropriate information concerning the Baylor Intellectual Property to the OGC for review. All outside expenses incurred by the College relating to these matters shall be advanced by the College.

**D. Obligations of the College in Protecting Intellectual Property.** Notwithstanding anything to the contrary contained in this Policy, this Policy shall not require the College to seek patent or other protection for, or to defend, enforce or protect rights in, any Baylor Intellectual Property or other Intellectual Property in which the College otherwise has rights. While the College and its staff may wish to obtain the thoughts and recommendations of the College Personnel involved with any Baylor Intellectual Property, it is not obligated to comply with the requests of such parties as to the manner in which such Baylor Intellectual Property is treated. The decision of the College in deciding whether or how to pursue protection or to enforce such protection against other parties shall be determined in its sole discretion.

**E. Release of Rights in Baylor Intellectual Property to the Developers.**

1. OTA may at any time determine that the College no longer wishes to retain some or all rights to certain Baylor Intellectual Property. In such event, the OTA shall make a recommendation to the Committee to release rights to the Baylor Intellectual Property and the terms and conditions for such release. The Committee shall review OTA's recommendation and shall forward its own recommendation to the President who shall make the final determination regarding the release of the Baylor Intellectual Property. Upon such determination, the President shall, as the case may be, (i) release and quitclaim to the Developer(s), in whole or in part, such rights to the Baylor Intellectual Property as were conveyed to the College by such persons, on terms and conditions as the College shall have determined, or (ii) return such matters to the OTA for further handling consistent with such determination. Such release and quitclaim shall be without representation or warranty, whether express or implied, as to the Baylor Intellectual Property and the rights being released and assigned. Upon the effective date of such release and assignment of rights to the Developer(s), the Developer(s) release the College and its employees, officers, trustees and representatives from any claim or cause of action that the Developer(s) may have with respect to the College's actions or omissions relating to such Intellectual Property, including its actions or omissions with regard to seeking patent or other protection, or commercializing such Intellectual Property.
2. Upon reasonable request, College Personnel may at any time obtain from the OTA the status of the legal protection and commercialization activities being pursued with respect to specified Baylor Intellectual Property as to which such College Personnel are Developers. Such parties may also seek to obtain releases of rights to such Intellectual Property for those countries in which the College elects not to pursue patent or other protection. Such requests shall be handled pursuant to the procedures set out in this Policy.

- F. **Right to Use.** In the transfer by the College of any Baylor Intellectual Property or other rights, the College generally endeavors to retain for the College and the Developer(s) thereof the right to use the Baylor Intellectual Property for academic, non-commercial purposes. No assurances can be given, however, that such rights may be retained as the rights and interests conveyed in such transactions are subject to negotiation with parties who may require the transfer of all rights in order to consummate the transactions.

#### IV. **COMMERCIALIZATION OF INTELLECTUAL PROPERTY.**

- A. **Discretionary Commercialization Efforts of the College.** The College may, in its sole discretion, elect to develop or commercialize, directly or indirectly, Baylor Intellectual Property by, among other things, (i) investing or contributing funds, equipment or assets, or (ii) contracting with Affiliates of the College or third parties for the rendition of investment, venture capital, marketing, management or other services, or (iii) both. The College may undertake such actions, including assigning to such Affiliates of the College or third parties undivided interests in Baylor Intellectual Property or a portion of any Income or Equity to be received in exchange for the rendition of services by such parties.
- B. **Use of Affiliates and Third Parties.** The College may, in its sole discretion, contract with Affiliates of the College or an outside corporation, agency or any organization deemed suitable by the College, on such terms and conditions, including the consideration for its services, as the College shall deem appropriate, for the seeking of patent or other protection for Intellectual Property and for the licensing, assignment, sale or other commercialization thereof.
- C. **Obligations of the College in Commercializing Intellectual Property.** Notwithstanding anything to the contrary contained in this Policy, this Policy shall not require the College to exploit, license, assign or otherwise commercialize or develop any Baylor Intellectual Property or other Intellectual Property in which the College has rights. While the College and its staff may wish to obtain the thoughts and recommendations of the College Personnel involved with any Baylor Intellectual Property, it is not obligated to comply with the requests of such parties as the manner in which such Baylor Intellectual Property is treated. The decision of the College in deciding whether or how to pursue commercialization shall be determined in its sole discretion.

#### V. **PAYMENTS AND OTHER CONSIDERATION.**

In the event the College commercializes Baylor Intellectual Property and receives consideration therefrom, the following provisions shall apply:

**A. Net Income.**

1. **Recovery of Expenses.** The College may retain all Income received with respect to Baylor Intellectual Property until the College has recovered in full all applicable costs and expenses incurred or reasonably expected by the College to be incurred as set forth in the definition of "Net Income." Costs and expenses not recovered in any one fiscal year shall be carried forward and deducted from future Income prior to any payments by the College to the respective Developers or Departments.

2. **Payments.** Payments based on Net Income shall be made by the College in accordance with the following schedule:

50 % to the Developer(s)  
25 % to the College General Fund  
25 % to the Department(s)

3. **Payments and Reports.** The above amounts shall be paid annually to the Developer(s) and Department(s) and allocated to the College General Fund as soon as practical after receipt of such funds. The College will upon request provide annual reports to the Developer(s) which detail Income received and costs and expenses deducted therefrom in calculating Net Income.

4. **Advances.** The College may, in its sole discretion, advance payments to Developers which amounts will be deducted from any future payments based on Net Income payable to such persons.

**B. Net Equity.** In instances in which Equity is received for rights in Baylor Intellectual Property, the Developer(s), as part of the property transferred by the Developer(s), shall be deemed to have transferred any and all rights such Developer(s) may have according to this Policy and released all or a portion of their royalty rights hereunder as may be set forth in the documents relating to such exchange and as appropriate for the Equity received, in exchange for the following:

1. 50% of the Net Equity received with respect to Baylor Intellectual Property shall be delivered or transferred to the Developer(s) of such Baylor Intellectual Property.

2. 25% of the Net Equity shall be paid to the General Fund of the College.

3. 25% of the Net Equity shall be retained by the College on behalf of the Department(s). All cash dividends and other distributions received in cash

attributable to such portion of the Net Equity, together with all sale proceeds of such Net Equity, if and when sold at the discretion of the College, shall be paid to the Department(s) of the Developer(s). Non-cash dividends and other non-cash distributions with respect to such Net Equity shall be retained by the College as part of the Net Equity held for such Departments.

- C. **Multiple Developers.** If there is more than one Developer of Baylor Intellectual Property, payments based on Net Income and Net Equity shall be paid or delivered to them (i) in accordance with their respective percentage interests shown on the Disclosure Form for such Intellectual Property; or (ii) if different percentage interests are subsequently agreed to in writing by all of the Developers of the Baylor Intellectual Property and their respective Department Chairs, in accordance with such different percentage interests; or (iii) if such parties are unable to agree as to the proper percentage interests, as shall be determined by the Committee in accordance with this Policy. Amounts payable to each Department shall correspond with the percentage interest(s) of the Developers in that Department. Where one Developer is assigned to more than one Department, the Chairs of such Departments shall agree in writing on the amounts to be payable to such Departments. In the event these Chairs cannot agree, that issue shall be determined by the Committee pursuant to the procedures set forth in this Policy.
- D. **No Interest Payable.** The College shall not be obligated to pay interest or other fees on Income or Equity held by the College and payable or transferable to Developer(s) or Department(s) under this Policy.
- E. **Deferred Payment Obligations.** Consideration received by the College that is a deferred payment obligation (for example, promissory notes and other contractual obligations to make future payments) shall be held by the College until such payments are received. At that time, such payments shall be treated as Income or Equity (as the case may be), subject to the repayment of costs and expenses of the College and, thereafter, payable to the Developer(s) and Department(s) as provided above.

## VI. PUBLICATION OF INTELLECTUAL PROPERTY.

- A. **Confidential Information.** All information included within Baylor Intellectual Property shall be deemed confidential information owned by the College and no College Personnel or other person shall publish or in any way disclose such information without complying

with the provisions of this Article VI. The foregoing restriction on Publication shall apply only to the Publication of information included within Baylor Intellectual Property and shall not be deemed to restrict the academic freedom of College Personnel to publish the results of research or intellectual pursuits which do not result in Baylor Intellectual Property. The foregoing restrictions shall not apply to information that: (i) is in the public domain, (ii) enters the public domain through no act or omission of College Personnel in violation of this Policy or any controlling regulation, grant, award or contract, (iii) was in the College Personnel's possession free of any obligation of confidentiality before such personnel assumed a position at the College, or (iv) is communicated to such College Personnel free of any express or implied obligation of confidentiality. The OTA or OGC of the College shall assist College Personnel in determining whether their proposed Publication would forfeit rights the College may wish to protect.

- B. Procedure for Disclosure.** In order to (i) permit the College to have adequate time to consider the patentability or other protection available for and the commercial viability of any Baylor Intellectual Property, (ii) permit the College to obtain timely and proper patent or other protection in the United States and abroad, and (iii) guard against a violation by the College of any contract, grant, award or other instrument or applicable governmental laws or regulations, no oral presentation, disclosure to unauthorized parties or other Publication of information relating to Baylor Intellectual Property shall be made by any College Personnel unless (i) prior written notice is given to the OTA sufficiently prior to such Publication to permit adequate protection for the College's rights in the Baylor Intellectual Property and (ii) all necessary consents to such Publication are obtained. Upon written request of the principal Developer(s) seeking permission for the Publication of information relating to Baylor Intellectual Property, the OTA shall promptly initiate such action as it deems appropriate to protect the College's rights in and to the Intellectual Property so as to permit the Publication without loss of such rights within ninety days of the request, if possible. It shall be the responsibility of the Developer(s) to determine the appropriate media for Publication and to provide adequate notice to the OTA of any proposed Publication or dissemination of such information.
- C. Material, Device and Software Transfers.** College Personnel are often asked by their colleagues at other academic or research institutions or commercial or non-profit entities for samples of certain types of Baylor Intellectual Property, such as, by way of example, drugs, genes, cell lines, vectors, organisms, computer software, electrical or mechanical devices and electrical circuits. Such College Personnel shall not handle such requests directly, but

shall refer them to the OTA or the Office of Research for handling. All such material shall be transferred only under an executed agreement approved by the President such as a license agreement, research and development agreement, confidentiality agreement or material transfer agreement between the College and the third party.

## **VII. THE PATENT AND COPYRIGHT COMMITTEE.**

**A. Appointment and Functions of the Committee.** In accordance with the Faculty Bylaws, the President of the College shall appoint a standing Patent and Copyright Committee (the "Committee"), which Committee shall upon request of the President:

1. Study and recommend to the President procedures and guidelines concerning the consideration and evaluation of Intellectual Property Developed by College Personnel;
2. Periodically report to the President through appropriate administrative channels on the activities of the Committee;
3. Receive periodic reports on the operations of the OTA and comment thereon;
4. Determine the respective percentage interests of Net Income or Net Equity of (i) the Developer(s), (ii) their Department(s), and (iii) outside parties, if any, if the Developer(s) or Department Chairs, as may be the case, are unable to agree on such matters in accordance with Section V.C. Such determination shall be based upon the actual contribution of each person and Department in the Development of the Baylor Intellectual Property. Consideration of such matters by the Committee shall be instituted upon the written application of the OTA, any Developer, any Department in which such persons work, or any other College Personnel or Department(s) who claim such an interest, and shall be binding on all such parties whose interests are considered by the Committee, subject to the right of appeal as provided in Section VII.D.;
5. Consider, upon written request by the OTA, requests or recommendations for (i) releases of Baylor Intellectual Property and (ii) determinations that specified developments do not qualify as Baylor Intellectual Property. If the Committee concurs with the OTA's recommendation, it shall authorize the OTA to (a) release

to the inventor(s) all rights to the Intellectual Property on such terms and conditions as the OTA shall determine, or (b) inform the Developer(s) that the specified developments do not qualify as Baylor Intellectual Property. In the event that the Committee does not concur with the OTA's recommendation, the Committee's determination shall prevail, provided, however, either the OTA or any other interested party may appeal the Committee's decision as provided in Section VII.D.; and

6. Discharge such other duties as are expressly delegated to it by the College.

Notwithstanding the foregoing, the Committee shall refer to the OGC all questions concerning interpretation of this Policy and all other related legal issues, including questions of inventorship, tax matters, patent and other protection issues. The OGC may interact with outside counsel and other advisers for the College as appropriate in this regard.

- B. Subcommittees.** The Committee shall have the right to establish from time to time one or more subcommittees (including an Executive Committee if desired); to designate, remove and replace the members of such subcommittees; and to delegate to such subcommittees any or all of the powers of the Committee with such limitations of authority as may be determined by the Committee. Any such subcommittee shall be subject to the provisions of this Policy and all other rules, procedures or other provisions which govern the Committee and its activities, shall keep minutes of its actions and proceedings; and shall report to the Chair of the Committee on its activities.
- C. Ex-Officio Members.** Representatives from the Office of Vice President and Dean of Research and the OGC shall serve as ex-officio members of the Committee. The representative from the OGC shall serve as primary legal adviser to the Committee.
- D. Appeals from Determinations of the Committee.**
  1. Any Developer, Chair, and any other party claiming an interest in consideration to be received from the commercialization of Baylor Intellectual Property and who is dissatisfied with a determination by the Committee relating thereto shall seek reconsideration by the Committee and, if dissatisfied with the result of such reconsideration, appeal the Committee's determination in the following manner:

- 1.1. Within thirty days of the issuance of the determination, any such Developer, Chair or other such party may in writing request the Committee to reconsider such determination.
  - 1.2. The Committee will meet at such time as is convenient for all parties involved to reconsider its initial determination. The Committee may consider such information as it deems necessary, may extend its meeting to additional sessions, and shall deliver its final determination to all Developers and other parties involved in such reconsideration and to the President.
  - 1.3. Thereafter, such Developer, Chair or other involved party may appeal the Committee's final determination to the President by written request delivered to the President within ten days of receiving the final determination. Should there be no such request for appeal within this time period, the determination of the Committee shall be final and binding on all such parties. As soon as practical following receipt of an appeal request, the President shall meet with or, at the President's option, receive written arguments or information on the matter from all Developers and other parties involved and a report from the Committee. Within sixty days of said meeting or receipt of written submissions, the President shall issue a ruling on the matter, which ruling shall be final and binding upon all such parties.
2. If the dispute involves the rights of the President under this Policy, only a designee or designees of the Board of Trustees of the College shall have authority to review the Committee's decision.

## **VIII. OFFICE OF TECHNOLOGY ADMINISTRATION.**

- A. **Duties.** The President may establish and maintain under the auspices of the Office of the Vice President and Dean of Research the OTA, which shall discharge the following duties and responsibilities in the manner and to the extent deemed appropriate by the OTA:

1. Upon request, provide copies of this Policy to College Personnel and inform Developers about their responsibility in protecting Intellectual Property;
2. Serve as the office to which College Personnel submit Disclosure Forms pursuant to Article III;
3. Make the initial decision as to whether to seek patent or other protection for Baylor Intellectual Property or to undertake commercialization of Baylor Intellectual Property;
4. Seek, as it may deem necessary, the counsel and assistance of members of the Patent and Copyright Committee, other members of the faculty of the College, other College Personnel, Affiliates of the College, and third parties not affiliated with the College in evaluating the technical or commercial merits of Baylor Intellectual Property;
5. Assist the OGC in the securing of patent and other protection for Baylor Intellectual Property as it deems necessary or appropriate for the Intellectual Property in question, and assist, through the OGC, the activities of the College's outside legal counsel;
6. Provide reasonable assistance to College Personnel, at their request, in complying with this Policy;
7. Upon the request of a Developer, coordinate with such person(s) the Publication or other public disclosure of information relating to Baylor Intellectual Property so as to protect the rights of the College; and
8. Refer to the President known or alleged violations of this Policy.

**B. Reports.** The OTA shall submit periodic reports to the Committee which summarize actions the OTA has taken with respect to the securing of patent protection for Baylor Intellectual Property and other matters related thereto.

**C. Delegation of OTA's Duties.** The President may delegate to, or make arrangements or agreements with Affiliates of the College or third parties for the rendition of all or a portion

of the services to be provided by the OTA, and shall be entitled to eliminate some or all of the duties of the OTA.

## IX. MISCELLANEOUS.

### A. Policy Governs.

1. **Effective Date.** As of its effective date, this version of this Policy supersedes all prior versions and, until superseded or terminated, shall apply in all respects to all Baylor Intellectual Property that is disclosed in writing to the OTA or the College on or after such effective date. Baylor Intellectual Property that is not disclosed pursuant to this Policy shall be governed by the policy that was in effect on the date that the College makes its determination that it constitutes Baylor Intellectual Property.
2. **Payments to Developers.** Notwithstanding the provisions of Section A.1., (i) the payment of Net Income or Net Equity to the Developers of Baylor Intellectual Property that was disclosed prior to the effective date of this version of this Policy shall be governed by the version of this Policy in effect on the date of license of that Intellectual Property, and (ii) any right that is determined by applicable law to be a vested right under a previous version of this Policy shall be governed by such previous version. The previous versions of this Policy were in effect on the following dates: March 27, 1991; May 25, 1988; December 15, 1986 (effective January 28, 1987); July 18, 1984; January 10, 1980; and October 17, 1973.

- B. **Conflicts with Other Commitments of the College.** It is recognized that there may be certain research projects which require deviation from this Policy. For example, (i) grants, awards or contracts approved by the College for research, development, training and services (obtained in some instances as a result of the efforts of the Developer(s)), or (ii) governmental regulation may be applicable and determinative of the ownership or other rights relating to Intellectual Property. Where and to the extent there is a conflict between this Policy and a grant, award or contract between the College and a third-party, applicable governmental regulations or other controlling obligations of the College, the provisions of such grant, award, contract, regulation or obligation at the time of award shall control. In such instances, the ownership of the Intellectual Property shall still be determined in

accordance with this Policy to the extent such determination would not constitute such a conflict.

- C. **Reversionary Interest.** In the event that any Baylor Intellectual Property which has been licensed, assigned or otherwise transferred to a third party subsequently reverts, or for any other reason is returned to the College, unless the reversion or return is for consideration or is pursuant to a contract, such Baylor Intellectual Property shall again be subject to the provisions of this Policy, and all rights therein shall be subject to and determined by this Policy.
- D. **Management Participation by Developers.** To the extent consistent with the College's policies on conflicts of interest, Developers may negotiate on their own behalf with respect to management participation in any companies to which Baylor Intellectual Property has been transferred. In no event, however, may they assume managerial or other obligations which would be inconsistent with their duties to the College.
- E. **Other Agreements by Developers.** Developers contemplating entering into consulting or other arrangements with third parties, including entities that have acquired rights to Baylor Intellectual Property or actual or potential sponsors of research, shall consult with and abide by the College's policies on conflicts of interest.
- F. **Legal and Other Advisors.**
1. The College may hire attorneys or other advisors to seek, maintain and enforce patent and other protection for Baylor Intellectual Property, to assist the College in its efforts to commercialize Baylor Intellectual Property and for related matters. In such instances, the College's attorneys and advisors, including both the OGC and outside counsel, represent the interests of the College only and not those of the Developers or other College Personnel. Pursuant to Baylor policies, counsel for the College may represent College Personnel in certain situations. In these situations, such representation must be set forth in writing, together with the right of the parties to terminate such representation.
  2. All Developers are encouraged to obtain their own counsel and other advisors in these matters, including advice relating to the rights of the Developers in the College's obtaining of patent or other protection for, and commercialization of,

Baylor Intellectual Property, including without limitation, the tax and other implications of such transactions. Any such counsel or advisor shall be at the expense of the Developers or such other College Personnel. Developers and other College Personnel shall also be responsible for the reporting and payment of any taxes applicable to them relating to the commercialization of Baylor Intellectual Property.

**G. Certain Future Costs.**

1. In the event Developer(s) receive Net Income or Net Equity from Baylor Intellectual Property and should the College subsequently elect in its sole discretion to defend, protect or enforce the rights relating to such Baylor Intellectual Property, all expenses related thereto will be advanced by the College and allocated between the Developer(s) and the College in the same proportion as the Net Income or Net Equity is divided pursuant to Section V.A. or Section V.B. Expenses which are allocated to more than one Developer will be allocated to such parties in the same proportion as the Net Income or Net Equity is divided among them pursuant to Section V.C. With respect to the amounts the College advances to finance such defensive, protective or enforcement actions, the College shall recover the amount of such advances from all recoveries, if any, before paying any portion of such recoveries to the Developer(s).
2. Upon the occurrence of a proceeding as described in Paragraph G.1. above, the College may retain, pursuant to Section V.A, all future Income received by it with respect to such Baylor Intellectual Property and use such funds to pay the expenses incurred by the College relating to such claims or litigation. Such expenses shall be items that are deducted from such Income in calculating Net Income as provided in this Policy.

**H. Cooperation.** All College Personnel shall do all things reasonably necessary in the opinion of the OTA, the OGC, or the College relating to the College's efforts in seeking, obtaining, maintaining, protecting and enforcing patent or other protection of the proprietary rights of the College in Baylor Intellectual Property and shall actively assist the College's counsel, patent agents and others in connection therewith. Likewise, all College Personnel agree to fully cooperate and assist the College as it may reasonably request in the commercialization

of Baylor Intellectual Property and to bring to the attention of the College any opportunities for the commercialization of Baylor Intellectual Property.

- I. **Acts of the College and the President.** Except where otherwise specifically provided, only the President shall have the authority to enter into binding obligations on behalf of the College regarding the matters covered by this Policy, including the release of any rights to Baylor Intellectual Property. All duties and functions of the President under this Policy may be delegated by the President to his or her designee and such delegation may be in any manner the President deems appropriate.
- J. **Successors and Assigns.** All rights and obligations of Developers as set forth in this Policy shall inure to the benefit of and be binding upon their respective heirs and assigns.
- K. **Compliance with Laws.** Nothing in this Policy shall be construed in contravention of any applicable state or federal law or regulation, nor shall any provision of this Policy require action or inaction by the College, any College Personnel or other party in contravention of any such law or regulation. Without limiting the foregoing, the College shall have no obligation to transfer any securities received by it for the transfer of Baylor Intellectual Property or otherwise unless, in the opinion of counsel satisfactory to the College, such transfer would not violate any applicable state or federal securities or similar laws or regulations. The College shall have no obligation to incur any expense in order to comply with any such laws or regulations to enable it or any other party to carry out any action called for by or requested pursuant to this Policy.
- L. **Arbitration.** Any controversy arising out of or relating to this Policy (including, for purposes of this Section, all previous versions of this Policy) or any agreement in which this Policy is incorporated or by which it is otherwise governed (the "Controversy") shall be resolved if possible pursuant to the normal administrative procedures of the College, if applicable to the Controversy, including any procedures set forth in this Policy. If administrative procedures are exhausted but the Controversy is not resolved, or if the Controversy is not subject to administrative procedures, the Controversy shall be determined by mediation before resorting to binding arbitration. The party seeking mediation shall propose five mediators, each of whom shall be a lawyer licensed to practice by the State of Texas for at least fifteen years, to the other party who shall select the mediator from the list. Any party may commence binding arbitration if the administrative procedures or mediation do not result in resolution of the controversy within thirty days

after written notice that these amicable negotiations have commenced. The arbitration shall be held in Houston, Texas, by a single arbitrator selected by the parties. Any party involved in the Controversy, including any third-party beneficiary of this arbitration provision, may invoke the arbitration procedures set forth or referenced in this Section by written notice to all other involved parties. The parties agree the arbitration shall be administered by the American Arbitration Association ("AAA") and conducted in accordance with its Commercial Arbitration Rules, except as otherwise provided in this Section or as the parties may otherwise agree. In the event the parties cannot agree on the selection of the arbitrator within twenty days of delivery of the written notice invoking arbitration, the arbitrator shall be selected pursuant to the AAA Commercial Arbitration Rules from, in the first instance, the Large Complex Claims Panel, then from its Commercial Panel. This arbitration provision is intended to be a broad form clause encompassing all claims, defenses, and counterclaims that may be asserted with respect to any Controversy, whether based on state or federal statutes, governmental regulations, common law, this Policy, or otherwise. The arbitrator shall honor and apply any common law or statutory defenses to a claim, including application as a bar of any statutes of limitation recognized by applicable law. This arbitration provision expressly permits any party, including any third-party beneficiary of this arbitration provision, to apply to the courts of any competent jurisdiction at any time for injunctive relief to maintain the status quo prior to or during the pendency of any arbitration, including prior to exhaustion of any administrative procedures.

This arbitration provision is expressly intended to cover not only claims between and against any parties bound by or subject to this Policy or any agreement in which this Policy is incorporated, but to cover any claims by such party against an employee, agent, representative, affiliate, or outside legal counsel of another party relating to matters covered by this Policy or any agreement in which this Policy is incorporated, and these persons or entities are intended by the parties to be third-party beneficiaries of this provision to arbitrate. If such third-party beneficiaries elect to proceed with arbitration under these provisions, they agree to be bound by these provisions and the results of the arbitration as herein provided. Any Award or portion thereof, whether preliminary or final, shall be in a written opinion containing findings of fact and conclusions of law. The arbitrator shall render his or her decision (the "Award") in writing within sixty days of the close of the arbitration hearing and shall be final and binding on the parties. The parties and arbitrators shall treat all aspects of the arbitration proceedings, including without limitation discovery, testimony and other evidence, briefs and the award, as strictly confidential. In accordance with the express waiver of any right to punitive or exemplary damages set forth in Section IX.M of this Policy, the arbitrator may not, and is expressly denied the power to, award exemplary

or punitive damages to any party. However, in the event a court determines that the express waiver set forth in Section IX.M is unenforceable, then the arbitrator, and not a court, shall determine if punitive or exemplary damages should be awarded and, if awarded, the amount thereof. Judgment on the Award may be entered and enforced by any court having jurisdiction thereof. Each party shall bear its own attorney's fees; however, the arbitrator may assess, at the arbitrator's discretion, other costs of the arbitration, including arbitrators' fees and expenses, costs of the stenographic record and expert witness fees and expenses. In the event any court or other tribunal concludes any portion of this Section to be void or otherwise unenforceable for any reason, the remainder of this Section shall survive and is deemed severable, such that the parties' express purpose to arbitrate any unresolved Controversy shall be recognized and given effect.

- M. Choice of Laws and Express Waiver of Any Right to Punitive or Exemplary Damages.** This Policy shall be construed and interpreted in accordance with the laws of the State of Texas. No conflict-of-laws rule or law that might refer such construction or interpretation to the laws of another jurisdiction shall be considered. All persons subject to this Policy expressly agree to WAIVE ANY RIGHT OR CLAIM TO PUNITIVE, EXEMPLARY OR ENHANCED DAMAGES of any kind, whether this right or claim could accrue NOW OR IN THE FUTURE under applicable law.
- N. Venue and Jurisdiction.** All actions called for by this Policy are performable in whole or in part in Harris County, Texas, and all persons subject to this Policy agree that personal jurisdiction and venue shall be proper in the state and federal courts situated in Harris County, Texas, and that any litigated dispute that is for any reason not subject to the arbitration provisions of Section IX.L above shall be conducted solely in such courts.
- O. Severability.** Each of the provisions contained in this Policy shall be severable, and the unenforceability of one shall not affect the enforceability of any others or of the remainder of this Policy.

**X. DEFINITIONS.**

“Academic Unit” shall have the meaning accorded it in the Faculty Bylaws and shall include Departments, Institutes, Independent Divisions, and Independent Centers.

"Affiliates" shall include any other entity that is controlled by or is under common control with the College. By way of example, BCM Technologies, Inc. is an Affiliate of the College.

"Baylor Intellectual Property" shall mean all Intellectual Property Developed by College Personnel, whether solely or jointly with others, during the period they serve as College Personnel. "Baylor Intellectual Property" shall not include:

- (a) Intellectual Property developed by one or more College Personnel which meets *all* of the following conditions:
  - (i) The College contributed nothing to the Development of the Intellectual Property in terms of funds, office or laboratory space, equipment, materials or the time or input of College Personnel (other than the Developers);
  - (ii) The Intellectual Property was Developed by College Personnel on his or her own time, at no expense to the College and not on or using the College's campus or facilities or on or using other facilities or space utilized by the College or by College Personnel in their capacity with the College; and
  - (iii) The Intellectual Property is not directly or indirectly connected with the regular or other assigned work of the Developers thereof and is not within the area or areas of their specific professional expertise as evidenced by their specialized training or educational background, the areas of their research or practice, or their faculty appointment(s);  
or
- (b) Intellectual Property developed by one or more College Personnel under a compensated consulting relationship, provided such Intellectual Property is developed solely as a direct result of performing consulting services (*i.e.*, the College contributed nothing to the development of the Intellectual Property in terms of funds, office or laboratory space, equipment, materials or the time or input of College Personnel) and is not developed in the course of activities for the College (*i.e.*, the Intellectual Property was developed by College Personnel on his or her own time, at no expense to the College and not on or using the College's campus or facilities or on or using other facilities or space utilized by the College

or by College Personnel in their capacity with the College).

"Chair" or "Department Chair" shall mean the Chair, Director or Head of any Academic Unit as defined in the faculty bylaws of the College.

"College" shall mean Baylor College of Medicine and its Affiliates.

"College Personnel" shall mean College faculty members, fellows, residents, researchers, staff members, post-doctoral fellows, students, visiting faculty, and any other persons employed, enrolled, appointed by, working at or using facilities provided by or through the College.

"Committee" shall mean the Patent and Copyright Committee as described in Section VII.A of this Policy.

"Controversy" shall have the meaning given such term in Section IX.L of this Policy.

"Copyrightable Work" shall mean any original expression that is fixed in any tangible medium of expression and subject to copyright protection under Title 17 of the United States Code as it now exists or as it may be amended. Copyrightable Works shall include by way of example but not by way of limitation: books and articles, collective works, compilations or other literary works, including computer software, graphic works, audiovisual works or sound recordings.

"Department(s)" shall mean the Academic Unit(s) where the Developer(s) have appointments or, in the case of Institutes, Independent Divisions, or Independent Centers, which are responsible for the space occupied by the Developer(s).

"Develop" shall mean the conception, creation, writing, reduction to practice, discovery or other development of Intellectual Property.

"Developer(s)" shall mean the person(s) who Develop(s) Intellectual Property. Developer(s) of Baylor Intellectual Property may decide that other persons who assisted in the development activity should receive a part of any resulting Net Income or Net Equity to which the Developer may be entitled. In such event and for purposes of this Policy only, such other persons shall be deemed "Developers" solely for the purpose of determining who should receive compensation based on Net Income or Net Equity as provided in this Policy and for no other purpose.

"Disclosure Form" shall mean the form or forms for disclosing Intellectual Property pursuant to Section III.A of this Policy.

"Equity" shall mean any consideration other than Income received for the conveyance of rights to Baylor Intellectual Property and may include, without limitation, securities, stock options, warrants, other securities that are convertible by their terms into property other than cash, partnership interests, real or personal property, or any other non-cash consideration. *See* the definition of "Income" for a description of certain consideration that shall be excluded from "Equity" for purposes of this Policy.

"Income" shall mean all royalties, fees and other consideration received in cash in exchange for rights to Baylor Intellectual Property. Neither income nor equity shall include money or property received by the College or College Personnel for reasons other than in exchange for rights to Baylor Intellectual Property or received by Affiliates of Baylor College of Medicine or third parties in exchange for rights to Baylor Intellectual Property previously assigned to them for services rendered or to be rendered. By way of example but not by way of limitation, excluded from Income and Equity are:

(i) any research funding, grants, funds for clinical trials, gifts, pledges or contributions (whether of cash, securities, equipment or other property);

(ii) any consideration, regardless of its form, received by (A) the College or College Personnel in exchange for the payment or contribution of funds, equipment, services or assets (other than Baylor Intellectual Property), (B) Affiliates of Baylor College of Medicine or third parties in consideration for organizational, management or other services, or in exchange for such parties' interest in Baylor Intellectual Property assigned to such parties by the College as consideration for such services, or, (C) College Personnel for consulting services; and

(iii) other similar or dissimilar items received by the College, its Departments or College Personnel from any party, including parties who have received rights in Baylor Intellectual Property.

Promissory notes and other deferred payment obligations shall not be considered current Income or Equity for purposes hereof, but instead shall be treated by the College as Income or Equity in the year payment is received, pursuant to Section V.E.

"Intellectual Property" shall mean Inventions, know-how, trade secrets, technology, research data and notes, Copyrightable Works, trademarks, service marks and trade names.

"Invention" shall mean and include without limitation, any development, discovery, creation, improvement or other advance whether Developed as a product of mental processes or as a result of scientific investigation and experimentation, and whether or not reduced to writing. Inventions shall include by way of example, but not by way of limitation: drugs, methods of healing or promoting the healing arts, chemical, biological or biochemical processes or methods, gene sequences, gene therapy, cell lines, vectors, organisms, combinations of matter, computer software, electrical or mechanical devices, and electrical circuits. The foregoing examples shall not in any way limit the scope of this definition.

"Net Equity" shall mean all Equity received by the College in consideration for the conveyance of rights to Baylor Intellectual Property, less any and all portions of the Equity assigned to OTA, Affiliates or third parties in consideration of services rendered or to be rendered by the OTA, Affiliates or third parties in connection with the exploitation, licensing, assignment or other commercialization of such Baylor Intellectual Property.

"Net Income" shall mean all Income received by the College in consideration for the conveyance of rights to Baylor Intellectual Property, less fifteen percent management fee payable to the OTA and any and all costs and expenses incurred by or for the account of the College, or reasonably expected by the College to be incurred, including (a) charges, discounts, sales, use or other taxes and state or federal excise taxes or charges applicable to such conveyance or to the Baylor Intellectual Property; and (b) all costs and expenses (including without limitation, attorney's fees) in connection with (i) perfecting, maintaining or defending the College's rights in such Baylor Intellectual Property, including but not limited to, the filing, prosecution or maintaining of patents or other protection in the United States or foreign countries, and (ii) defending or prosecuting actions for infringement of patents or copyrights or for the violation or wrongful appropriation of other proprietary rights, whether of the College or a third party, relating to such Baylor Intellectual Property.

"OGC" shall mean the Office of General Counsel of Baylor College of Medicine.

"OTA" shall mean the Office of Technology Administration of Baylor College of Medicine.

"Policy" shall mean this policy on Patents and Other Intellectual Property.

"President" shall mean the President of the College or his or her designee.

"Publication" shall mean the disclosure, distribution, sale, lease or transfer of the original or copies of the information in question. Publication shall include by way of example but not by way of limitation: the delivery of speeches, data (written or electronic), abstracts, posters, or manuscripts disclosing all or a portion of such information, or the delivery of embodiments, including without limitation, samples, drugs, genes, cell lines, vectors, organisms, prototypes or computer software, to publishers, colleagues, researchers (at corporations, educational or research institutions) or other third parties.

NOTE: Any questions concerning the *Policy on Patents and Other Intellectual Property* or requests for printed copies of this Policy or any previous version of this Policy should be addressed to the Office of Technology Administration at One Baylor Plaza, Suite 600D, Houston, Texas 77030-2475 or by phone at 713-798-6821.