The Offices of Technology Management

The Offices of Technology Management are responsible for managing the intellectual property generated by research and educational activities at the University of Illinois.

The Offices’ mission is to encourage innovation, enhance research and facilitate economic development through the transfer of intellectual property.

The Offices have developed a documented, systematic and timely process for the analysis, protection and commercialization of intellectual property.
**Intellectual Property Disclosures/Reports of Research Discoveries**

Both OTMs actively reach out to faculty to encourage disclosures of new innovations. The disclosure is a written statement outlining the new innovation and documenting the circumstances of its development. The disclosure also identifies potential applications and what companies might be interested in licensing the IP if that information is known. Forms can be found on the OTMs’ Websites.

The disclosure form helps OTM begin the process of evaluating the technology transfer potential for the intellectual property and complies with the obligations of Bayh-Dole. A technology manager is assigned the responsibility for the disclosure to shepherd it through the technology transfer process.

“Disclosure” to your OTM does not, by itself, protect the intellectual property. Only a patent or a copyright can do that. Also, disclosure to your OTM is confidential; it is not a public disclosure. A disclosure to someone outside the University is a public disclosure, unless you have a confidentiality agreement.

**CAN I STILL PUBLISH MY FINDINGS?**

Yes, findings can still be published and disclosure to your OTM does not alter your publication timetable. However, since publishing can affect the ability to obtain a patent, especially foreign ones, it is best to submit a disclosure prior to publishing or communicating your findings in a public forum.

**WHEN SHOULD I SUBMIT A DISCLOSURE?**

It is best if inventors submit a disclosure between eight and 12 weeks before publication so that, if necessary, actions can be taken to protect both U.S. and foreign rights. Once publicly disclosed, an invention may not be patentable outside the United States. To be safe, inform your OTM of any imminent or prior presentations that include the IP.
Screening Evaluation/Assessment

Through the screening review process the decision is made whether or not to pursue commercialization efforts for a technology.

Within six to eight weeks of receiving a disclosure, OTM staff complete a business-case analysis, called a screening evaluation, with a recommended course of action on commercialization. The results of the screening evaluation, which includes patent searches, an analysis of where the technology fits in the marketplace and research into possible licensees, are then shared with the inventors.

Market Assessment

Detailed analysis, sometimes through the engagement of outside consultants who connect with industry experts, adds to the OTMs understanding of the potential market for the technology and helps determine further patenting and marketing actions. Inventors themselves often help enormously in finding interested licensees since they have many contacts through their own research.

Release/Return (Assign) to Inventor

If the OTMs decide not to pursue or to discontinue pursuit of commercialization efforts on an innovation, it will release the invention and may assign the University’s ownership rights to the inventors, if they are interested in pursuing a patent and commercializing the innovation independently. For any federally funded invention, the federal agency must approve the assignment.

Patenting Decisions

For technologies the OTMs decide to patent, an initial patent strategy is identified (see Patent Decisions and Timelines, page 11). In most cases, an independent patent law firm is hired to prepare and prosecute the patent application.

WHAT’S MY ROLE IN THE SCREENING PROCESS?

Inventors typically meet with OTM staff to discuss the invention and clarify aspects of the disclosure. Once a decision is made, the inventor will be contacted to discuss the outcome.

WHAT’S MY ROLE IN PATENTING?

Inventors and OTM professionals speak with the patent attorney during the patenting process. Also, inventors will need to review drafts of documents, sign assignments and other legal documentation. OTM will guide the inventors during the process.
Marketing (Looking for Licensing Partners)

Considerable time and resources are devoted to researching and contacting the best possible licensing partners. OTM staff engage in a variety of marketing activities to spread the word about available University technologies, to increase their contacts and to stay up-to-date on industry developments. These activities include attending tradeshows and professional meetings, making calls and sending materials, producing promotional material, maintaining a Website, publicity and more.

When possible, and in addition to marketing individual technologies, the OTMs bundle similar technologies to market them together to maximize exposure to potential licensees.

Finding a potential licensee that is a good fit often takes time, since many University innovations are on the cutting edge and well in advance of the state of the industry and the needs of the marketplace. This makes it more challenging to find a licensing partner willing to invest the upfront funds needed to bring it to market. Sometimes, the market is not ready for licensing opportunities for years after an invention has been disclosed and patented. The OTMs work with inventors and others to determine the best time to market a technology.

Marketing Related Agreements (Pre-Licensing)

Once a potential corporate partner is identified for a technology, Non-disclosure Agreements are used to protect the confidentiality of any non-public information. Materials Transfer Agreements and Evaluation Agreements may be used to provide companies with certain rights to use the technology for short term evaluation purposes only. Option Agreements reserve the right of a company to negotiate a commercial license. Options may be stand alone agreements negotiated directly through the OTM, or they may be clauses contained in other agreements, such as sponsored research agreements or the above pre-licensing agreements.

If intellectual property is developed by more than one institution, an InterInstitutional Agreement is often negotiated to set out the terms under which the two universities will cooperate to assess, protect, market, license and share revenues from the jointly-owned property.

WHAT’S MY ROLE IN MARKETING?

Inventors are welcome to work closely with their technology manager to market their invention.

There are many aspects of marketing that inventors may choose to be involved with, ranging from helping to transfer knowledge to recommending contacts that might be interested in licensing the inventor’s technology.

The OTMs also invite inventor feedback on licensing terms and work closely with inventors when crafting pre-licensing agreements such as material transfer and evaluation agreements.
WHAT’S MY ROLE IN LICENSING?

Licensing is a primary function of the OTMs; inventors will be informed of progress in licensing. Inventors often are closely connected to others in their field and may be consulted by their OTM on the business terms of the license.

Further, the inventor’s expertise is often critically important to transfer the technology and related know-how to the licensee. The University license places only nominal obligations on the part of the inventor to assist in the transfer of the licensed technology. When more than minimal time and effort is necessary, the licensee will negotiate a separate consulting arrangement with the inventor.

WHAT EFFECT DOES A LICENSE HAVE ON MY ABILITY TO DO RESEARCH?

You can still continue research using a licensed invention, even if it is exclusively licensed. The University retains the right to use a licensed invention in its academic research and teaching.

Licenses

A license is the technology transfer agreement granting some of the University’s rights as owner of an intellectual property (licensor) to a company who has agreed to certain obligations and responsibilities to commercialize the intellectual property (licensee).

The University licenses its varied technologies (patents, software, databases) to companies who demonstrate the capability and commitment to develop the early stage innovations into commercial products.

Licensees also demonstrate such commitment by providing a written technology development plan to the University. This plan should include, but not be limited to, a description of the technologies to be licensed, the resulting product, market analysis, a product development timeline and the company resources committed to development.

The terms of the license are negotiated based on the licensee’s plan.

LICENSE COMPLIANCE

After a technology is licensed, the Offices manage the license to ensure all terms and conditions are adhered to and the technology reaches its fullest potential. If the licensee does not comply, steps may be taken to terminate the license, in which case the invention would be available for licensing to another company.
LICENSE NEGOTIATIONS

The licensing process begins with negotiations with interested industry partners, including start-up companies in which term sheets summarizing the essential business terms of the licensing agreement are exchanged. Below are the types of business terms generally addressed.

Scope of License Rights:
License rights such as exclusive, nonexclusive, field of use limitations and territory limitations are established to be commensurate with the licensee’s product development plans and the market. The University’s licensing objective is to obtain widespread use of its technologies.

License Fee:
Together with the royalties and other monetary terms, the value depends on the scope of the license rights and the market value of the technology licensed.

Royalties:
Royalties are paid by the licensee when products or services that require the use of the technology are sold. Royalties can be expressed as a percentage (%) of sale or a fee per selling unit. Royalty rates vary according to the industry, the significance of the invention and the base upon which the royalty is applied (e.g., unit, component, subsystem.)

Sublicense Sharing:
Exclusive licenses usually provide the licensee with the right to sublicense, or authorize others, to make, use and sell the University’s technology to facilitate widespread use. Revenues received by the licensee from sublicenses are shared with the University.

Minimum Royalties:
Minimum royalty payments are established to encourage diligence in sales of products/services requiring the use of the technology.

Patent Reimbursement:
Recovery of the costs incurred for protecting the technology in the U.S. and internationally are part of the license.

Performance (Diligence) Milestones:
University technologies often require a significant period of time and effort in product development before they are ready for the market. During the development phase, licensees are required to provide periodic reports and meet specific milestones in order to retain a license, especially an exclusive license.
Revenue Sharing

When an invention, software or other intellectual property is successfully licensed, or commercialized, the revenues are shared with inventors and creators.

Inventors receive 40% of revenue after deducting expenses (such as costs for protecting the intellectual property), the inventor’s department or unit receives 20% and the University receives 40%.

In the case of multiple inventors, they will be asked to help determine the allocation of the 40% inventors’ share. The allocation is formalized in a “Proceeds Distribution Agreement.” The Proceeds Distribution Agreement also addresses the shares among multiple departments/units, using the recommendation of the inventor(s) and the concurrence of the associated department/unit heads.

How is Equity distributed?
Equity from a license is shared with inventors when it is cashed in by the University and is distributed, according to the Proceeds Distribution Agreement.

What are the tax consequences?
Licensing revenues are considered taxable income. The University reports licensing revenue paid to inventors as income on Form 1099. Your tax advisor can provide specific advice.
Often, certain types of intellectual property (copyrighted software and biological materials) are best disseminated to the public through ways other than traditional licensing on a royalty or revenue generating basis. These other ways include research use licenses for academic purposes (software and materials transfer agreements) and open source licensing for software (which can be for both research or commercial use). Even though such transfers and dissemination are not revenue generating to the University, they promote visibility and public use of University research and can potentially aid in the University’s mission for public good.

When choosing between academic, open source and traditional revenue generating licensing, the Offices of Technology Management can assist software developers in deciding which option is the best for their specific software and research project.

**Academic, Research Use and Open Source Licensing**

**Academic (Research) licenses** permit research institutions or individual researchers to use a program or material free of charge or at a research-use rate but do not permit those institutions to transfer the software or materials to third parties or make commercial use out of the technology. Such research use licenses also leave open the possibility of future traditional revenue generating commercial licensing.

**Open Source licenses** allow free and less restricted distribution of software, including commercial use, and promote testing and further development and adoption of the software in a collaborative environment. Most federally funded research in software development requires open source dissemination. However, open source licenses often do limit future proprietary commercial licensing potential.

**WHAT IS THE OPEN SOURCE?**

In the software community, Open Source is a forum in which multiple unaffiliated parties have access to the source code of a software program for the purposes of collaborative development. People who participate in the open source believe that more scrutiny brings greater reliability and that software is an evolving entity that can achieve its fullest potential without the restrictions of commercial sale.

**WHAT’S MY ROLE IN OPEN SOURCE LICENSING?**

The researcher or unit makes the recommendation for open source licensing, and they then post and distribute the software through their own Websites. When Urbana software is placed in the Open Source it is usually through the University of Illinois/NCSA Open Source License. This license places minimal restrictions on use, thereby maximizing flexibility of use and dissemination. The University of Illinois license can be viewed at: [http://www.opensource/licenses/UoI-NCSA.php](http://www.opensource/licenses/UoI-NCSA.php).