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SENATE BILL NO. 1053

Offered January 12, 2005

Prefiled January 12, 2005

A BILL to amend and reenact §§ 23-4.3, 23-4.4, and 23-9.10:4 of the Code of Virginia, relating to intellectual property developed at public institutions of higher education.

Patron—Wagner

Referred to Committee on Education and Health

Be it enacted by the General Assembly of Virginia:

1. That §§ 23-4.3, 23-4.4, and 23-9.10:4 of the Code of Virginia are amended and reenacted as follows:

§ 23-4.3. Adoption of intellectual property policies; employees to be bound by such policies.

A. The boards of visitors of state-supported institutions of higher education and the State Board for Community Colleges shall adopt patent and copyright policies regarding the ownership, protection, assignment, and use of intellectual property that are consistent with the policy guidelines promulgated by the State Council of Higher Education working in cooperation with the state-supported institutions of higher education pursuant to § 23-9.10:4. Such policies shall be submitted to the Council.

B. All employees of state-supported institutions of higher education, including the Virginia Community College System, as a condition of employment, shall be bound by the patent and copyright intellectual property policies of the institution employing them. Anyone using facilities of a

C. A state-supported institution who has not otherwise entered into a shall not assert ownership of, or require the assignment to it, of an interest in intellectual property developed pursuant to externally-sponsored research, unless (i) otherwise provided in a written contract with the institution concerning such use shall be subject to the institution's patent and copyright policies where the institution's Board of Visitors, the State Board for Community Colleges or their designees determine that such use constitutes or (ii) the externally-sponsored research involves a significant use of the institution's facilities resources. The use of an institution's resources in externally-sponsored research shall be deemed significant if the cost of institution-provided identifiable resources dedicated to the research exceeds 50 percent of the total cost of identifiable resources dedicated to the research and exceeds \$10,000. If the actual cost of salary, equipment, and other identifiable resources dedicated to the research is not readily ascertainable, the institution shall assign a reasonable portion of such costs to such research. The customary and normal usage of an institution's buildings, telecommunications systems, computer systems, software, library resources, office equipment, or other support services shall not be considered identifiable resources dedicated to the research.

D. As used in this section:

"Externally-sponsored research" means research conducted in whole or in part under a contractual agreement between or among a state-supported institution of higher education, including the Virginia Community College System, and one or several private entity sponsors. It does not include research involving the use of federal funds or conducted under a contractual agreement in which a sponsor is a governmental entity or a not for profit organization.

"Intellectual property" means (i) a potentially patentable machine, article of manufacture, composition of matter, process, or improvement in any of those; (ii) an issued patent; (iii) a legal right that inheres in a patent; or (iv) anything that is copyrightable.

§ 23-4.4. Authorization to assign interest in intellectual property.

A. The Boards of Visitors, the State Board for Community Colleges, or their designees may transfer are authorized to assign any interest they possess in patents and copyrights intellectual property or in materials in which the institution claims an interest under, provided such assignment shall be in accordance with the terms of its patent or copyright intellectual property policy adopted pursuant to subsection A of § 23-4.3. However, the Governor's prior written approval shall be required for transfers of such property developed wholly or significantly through the use of state general funds and either (i) such property was developed by an employee of the institution acting within the scope of his assigned duties, or (ii) such property is to be transferred to an entity other than the Innovative Technology Authority, an entity whose purpose is to manage intellectual properties on behalf of nonprofit organizations, colleges and universities, or an entity whose purpose is to benefit the respective institutions. The Governor may attach conditions to these transfers as he deems necessary. In the event the Governor does not approve such transfer, the materials shall remain the property of the respective institutions and may be used and developed in any manner permitted by law. The State Council of

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59 Higher Education working in cooperation with the state-supported institutions of higher education and in
60 accordance with § 23-9.10:4 shall adopt a uniform statement defining (i) the conditions under which a
61 significant use of general funds occurs and (ii) the circumstances constituting an assigned duty.

62 B. Notwithstanding subsection A, the Governor's approval is not required to transfer such Board of
63 Visitors of any public institution of higher education, the State Board for Community Colleges, or their
64 designee shall assign any interest it possesses in intellectual property that was developed in the course
65 of externally-sponsored research to an the entity described in clause (ii) of subsection A that sponsored
66 such research if (i) the interest was developed without the use of federal funds such entity requests the
67 assignment, (ii) such entity makes a clear and convincing case to the relevant board that its ownership
68 of the interest is critical to its ability to commercialize that interest, and (iii) the institution receives, at a
69 minimum, compensation equal to the anticipated revenue stream of licensing the interest amount of the
70 institution's resources used in the conduct of the externally-sponsored research, and (iv) the institution
71 retains the ability to use the intellectual property in the conduct of its educational and research
72 functions.

73 C. As used in this section:

74 "Externally-sponsored research" has the same meaning ascribed thereto in § 23-4.3.

75 "Intellectual property" has the same meaning ascribed thereto in § 23-4.3.

76 § 23-9.10:4. Council to develop intellectual property policy guidelines for state-supported institutions
77 of higher education.

78 A. In addition to any other powers and duties, the State Council of Higher Education for Virginia
79 shall promulgate and, from time to time, revise patent and copyright policy guidelines for the policies to
80 be adopted by state-supported institutions of higher education, including the Virginia Community
81 College System, regarding the ownership, protection, assignment and use of intellectual property
82 developed at such institutions. These policy guidelines shall not be subject to the requirements of the
83 Administrative Process Act (§ 2.2-4000 et seq.). The

84 B. Intellectual property policy guidelines developed by the Council shall:

85 1. Unless another disposition of the intellectual property is required by applicable law, authorize the
86 institution to assign its intellectual property to (i) the Innovative Technology Authority, (ii) an entity
87 whose purpose is to manage intellectual properties on behalf of nonprofit organizations, colleges and
88 universities, or (iii) an entity whose purpose is to benefit the respective institution;

89 2. Notwithstanding any provision of § 23-4.3 or § 23-4.4, prohibit the assignment of intellectual
90 property to the sponsor of externally-sponsored research if the assignment would contravene restrictions
91 imposed by the Bayh-Dole Act of 1980, P.L. 96-517, as amended or the Federal Tax Free Bond Act of
92 1986, as amended, or other provision of the Internal Revenue Code of 1986;

93 3. Require that any assignment by an institution, or by an entity described in clauses (i), (ii), or (ii)
94 of subdivision B. 1 that has acquired ownership of intellectual property developed at the institution, of
95 its interest in intellectual property to the sponsor of externally-sponsored research may be made subject
96 to a provision that the institution will acquire or retain the equivalent of a shop right to use the
97 intellectual property without payment to the sponsor;

98 4. Require that any assignment by an institution, or by an entity described in clauses (i), (ii), or (ii)
99 of subdivision B. 1 that has acquired ownership of intellectual property developed at the institution, of
100 its interest in intellectual property to the sponsor of externally-sponsored research may be made subject
101 to a provision that the assignee shall not further assign the intellectual property to a third party without
102 first offering to reassign the intellectual property to the institution on the same terms and conditions by
103 which the sponsor proposes to assign the intellectual property to the third party; and

104 5. Prohibit an institution from asserting, claiming or acquiring any claims to or rights in any
105 background intellectual property utilized or developed in the course of externally-sponsored research.

106 C. To the extent not inconsistent with the requirements set forth in subsection B, the Council shall
107 take into consideration the view of the executive director of the Innovative Technology Authority in
108 developing policy guidelines.

109 D. As used in this section:

110 "Externally-sponsored research" has the same meaning ascribed thereto in § 23-4.3.

111 "Intellectual property" has the same meaning ascribed thereto in § 23-4.3.