

Policy 7-004: University Faculty Profit-Making Corporations

I. Purpose

To provide a Policy statement regarding university faculty and profit-making corporations.

II. General

University faculty members are increasingly becoming involved in profit-making corporations in which they hold substantial stock interest and in which they are active participants. These corporations may have a substantial beneficial influence on the economic growth of the State; and the associations derived by the faculty member from participation in the corporations may, in most cases, have a beneficial influence on his teaching and research capabilities. Consequently, it would not be in the university's interest to preclude this type of association. However, since these associations carry with them the possibility of adverse comment from individuals concerned with the integrity of academic responsibility, some clarification of the rules and regulations with regard to such associations must be made.

III. Policy

A. Extent of Participation Permitted University faculty and/or administrators may participate in such corporations as consultants, employees, members of the board of directors or as chairman of the board of directors so long as such outside time and effort do not impair their full and proper execution of their university assignments. Such efforts must be disclosed to the cognizant department chairman, dean or vice president and shall conform to existing university rules and regulations including the conflict of interest Policy in the requirement for disclosure of consulting obligations.

B. Patents and Inventions

1. Patents developed by university personnel using university time, material or facilities are the property of the university subject to conditions specified by university policies.
2. In the case of individuals involved in private corporations there can be no exception to the requirement for a signed patent assignment agreement. This shall include all part-time faculty involved in university research.
3. Further, all inventions produced jointly between the university and the corporation shall become the exclusive property of the university except that the corporation shall have the option of obtaining non-exclusive license with royalty terms to be negotiated. Should the university elect not to patent jointly-produced inventions, the corporation may petition in writing to the university for patent rights which shall be granted within 90 days unless otherwise advised by the university.
4. Because this is a state-supported institution and because most research is federally-supported and subject to federal regulations, faculty members cannot be given a favored position in respect to invention patents. The fact that they or members of their departments were the inventor(s) does not insure licensing of that item to a corporation in which they hold special interest. Each assignment or license must be negotiated with the university in open competition with all firms (or individuals) expressing an interest. Terms for all assignments or licenses must conform to all pertinent federal agency rules, regulations, and restrictions.
5. Should a firm be licensed to manufacture an invention that was developed by a faculty member who is a participant in a competing firm, that faculty member shall give full, unrestrained disclosure and assistance to the licensee firm. Also, during negotiations, full and unrestrained disclosure shall be made to all competing firms or individuals.

6. The university's patent royalty agreement shall apply equally to all licensing agreements.
 - C. Private Research or Development in the University Ordinarily all research or development done in the university for firms in which faculty members are participants shall be on a time and material contract basis through the engineering experiment station. All such work shall be on a full overhead basis and shall be subject to approval by the department head. Invention and patent rights to such contracts shall be negotiated with the university.
 - D. Purchasing from Faculty Associated Corporations Care shall be exercise in purchases made for the university and purchases shall not be made preferentially from the corporation in which a faculty member holds an interest. All such purchases shall be made on an open bid basis by Procurement & Contracting Services.
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[Note: Parts IV-VII of this Regulation (and all other University Regulations) are Regulations Resource Information – the contents of which are not approved by the Academic Senate or Board of Trustees, and are to be updated from time to time as determined appropriate by the cognizant Policy Officer and the Institutional Policy Committee, as per Policy 1-001 and Rule 1-001.]

IV. Contacts

The designated contact officials for this Policy are:

- A. Policy Owners (primary contact person for questions and advice): Vice President for Research.
- B. Policy Officers: Vice President for Research.

These officials are designated by the University President or delegee, with assistance of the Institutional Policy Committee, to have the following roles and authority, as provided in University Rule 1-001:

"A 'Policy Officer' will be assigned by the President for each University Policy, and will typically be someone at the executive level of the University (i.e., the President and his/her Cabinet Officers). The assigned Policy Officer is authorized to allow exceptions to the Policy in appropriate cases.... "

"The Policy Officer will identify an 'Owner' for each Policy. The Policy Owner is an expert on the Policy topic who may respond to questions about, and provide interpretation of the Policy; and will typically be someone reporting to an executive level position (as defined above), but may be any other person to whom the President or a Vice President has delegated such authority for a specified area of University operations. The Owner has primary responsibility for maintaining the relevant portions of the Regulations Library... [and] bears the responsibility for determining -requirements of particular Policies... ." University Rule 1-001-III-B & E

V. References

[Policy 1-006: Conflict of Interest](#)