

Technology Transfer & Commercialization Guide for PASSHE Faculty, non-Faculty Personnel and Students

Frequently Asked Questions

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For definitions of important terms click here [\[create a link to definitions\]](#)

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What is intellectual property?

According to the faculty (APSCUF) CBA Intellectual Property is defined as including any invention, whether patentable or not, material, data, software, information, works, whether copyrightable or not, subject matter, any trademarks, trade secrets, creations, publications, compositions, discoveries, inventions, improvements, developments and all other results of works performed by the faculty/creator during the course of his/her employment with PASSHE/University, as well as all intellectual property therein, including patents, trademarks and copyright registrations and trade protections. A Creator is any faculty, (staff or student) creating an item of intellectual property.

Legally, intellectual property is the creative output that is protectable under certain United States, state and international laws. ...intellectual property is a personal property right and the possessor of the intellectual property right has certain benefits, including ownership and the ability to control most uses of the property. Intellectual Property is a legal field that refers to creations of the mind such as musical, literary, and artistic works; inventions; and symbols, names, images, and designs used in commerce, including copyrights, trademarks, patents, and related rights.

Intellectual property is divided into two categories: Industrial property, which includes inventions (patents), trademarks, industrial designs, and geographic indications of source; and Copyright, which includes literary and artistic works such as novels, poems and plays, films, musical works, artistic works such as drawings, paintings, photographs and sculptures, and architectural designs. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and those of broadcasters in their radio and television programs.

What is a patentable invention?

An invention is the physical embodiment of a discovery. For an invention to qualify for a U.S. patent it must be novel, non-obvious, and useful. It can be: a device, a manufacturable article, a machine, a composition of matter, a process or method, or a new, useful improvement. The exclusive right granted in a patent (in most countries) is the right to prevent or exclude others from making, using, selling, or importing the invention.

Who is the inventor?

An inventor is one who conceives and either personally or through someone else reduces the invention to practice. Conception is defined as "the formation in the mind of a definite and permanent idea of the complete operative invention and method of obtaining it" such that one of ordinary skill in the pertinent art could practice the invention without extensive research or experimentation. An inventor does not need to know his invention will work for conception to be complete. Someone who constructs the invention based on the inventor's conception is not an inventor.

A joint invention connotes collaboration of effort to produce a complete and operative invention, and one who merely suggests the idea of a result to be accomplished, rather than

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a means of accomplishing it, is not a joint inventor. Accordingly, where the invention arose from discussions among several individuals, one may influence the inventive process without making a contribution that rises to the level of inventorship.

A joint inventor must: (1) contribute in some significant manner to the conception or reduction to practice of the invention, (2) make a contribution to the claimed invention that is not insignificant in quality, when that contribution is measured against the dimension of the full invention, and (3) do more than merely explain to the actual inventors well-known concepts and/or the current state of the art.

Reduction to Practice, on the other hand, relates to the making and testing of an invention in order to ensure that it will work for its intended purpose, referred to as an "actual" reduction to practice. Reduction to practice may also be "constructive." This occurs where a patent application supported by an enabling disclosure is filed with the United States Patent and Trademark Office ("USPTO").

Under the law, an individual who contributes to the reduction to practice of the invention defined in the claims but not the conception of the invention is not an inventor. This is the case even where the reduction to practice is the most time consuming or difficult part of the inventive process.

In sum, the federal courts have consistently held that an individual does not qualify for inventorship status where that person: (a) contributed an obvious element to the invention (or an element that is in the public domain), (b) researched and explained the state of existing art to the inventor, (c) suggested an idea without also providing a way to implement the idea, (d) followed instructions of and experiments designed by another, or (e) participated in consultations about the invention before or after conception of the invention. (Source: Penn State University)

Failure to name the correct inventors can result in invalidation of the patent. An Inventor is distinct from an author, creator and owner. Inventorship is a legal issue that is determined by a patent attorney.

What occurs if there is a dispute over who are inventors?

Only a patent attorney can determine inventorship. It is a legal issue which the University must refer to a patent attorney.

How do I document that I "conceived" the invention and "reduced (it) to practice"?

An **inventor's notebook** is used by inventors to record their ideas, invention process, experimental tests and results and observations. It is not a legal document but is valuable, if properly organized and maintained, since it can help establish dates of conception and reduction to practice. The notebook is a systematic device for recording all information related to an invention in such a way that it can be used to develop a case during a patent contestation or patent-related lawsuit. The notebook is also a valuable tool for the inventor since it provides a chronological record of an invention and its reduction to practice.

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The notebook is a primary record of research. Each researcher should maintain an individual notebook starting with the conception of the idea and beginning of the research. The notebook should include documentation of the hypotheses, experiments and initial analysis or interpretation of these experiments. The notebook is usually written as the experiments progress, rather than a later date. To ensure that data cannot be easily altered, notebooks with permanently bound pages are recommended. Researchers are encouraged to write only with unerasable pen, to sign and date each page, and to have their notebooks inspected periodically by another scientist who can read and understand it. All of these guidelines can be useful in proving exactly when a discovery was made, in the case of a patent dispute.

For detailed guidelines on maintaining a notebook see:

<http://otl.stanford.edu/inventors/resources/labnotebooks.html>

Who owns my invention?

If the inventor is faculty, ownership of the patent is determined by several factors. If the discovery of the invention is funded with federal funds, ownership of the patent belongs to the federal agency unless the University elects to take title of the patent. In such case, the inventor must assign his/her patent rights to the University. If the discovery of the invention is funded with other external sponsor funds, the invention ownership is typically prescribed in the funding agreement. If there is substantial use of University resources, but no prevailing federal or sponsor requirements, Article 39 (D.1.) of the current APSCUF CBA determines ownership. University will claim ownership when there is substantial use.

If the inventor is a non-faculty employee or paid student worker/researcher and the invention is developed as part of their employment duties, the patent will be owned by the University.

What is Substantial Use?

“Substantial Use” is a term found in PASSHE’s faculty CBA. It has no relevance to other employees, including employed students. “Use of PASSHE/University resources/support/facilities will be considered substantial if the use of such resources/support/facilities is important to the creation of the Intellectual Property and PASSHE/University aide exceeds a cumulative total of \$40,000 per project, for any combination of the items listed below over a three-year period. Examples of such support items include but are not limited to the following: (1) Alternate assignment, and/or special assignment for a specific project or task. (2) Use of PASSHE/University funds designated for a specific project or task. (3) Use of PASSHE/University-owned, administered, leased equipment, facilities, materials or technological information. (4) Support provided by other public or private organizations, when it is arranged, administered, or controlled by PASSHE/University. (5) Assistance of one or more PASSHE/University employees/students, or others who are assigned to a project or task. (6) Cash investments or cash purchases.” The value of each item will include the direct and indirect costs associated with it. Substantial use does not include the following: “(1) Mere incidental Use of PASSHE/University resources/support/facilities. (2) Normal academic uses of facilities

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commonly available to faculty members, staff, or the public, such as libraries, offices, office equipment, or Internet services. (3) Use of university sabbatical leave, unless there was substantial use of PASSHE/University resources/support/facilities.”

What does assignment mean?

With an Assignment employees assign their rights, title and interest (i.e. ownership) in a patent to the University. The assignment gives the University legal standing to file a patent application and to take actions to market the invention and to protect the patent from potential infringement. PASSHE’s agreement is similar to those used at other universities and companies. An Assignment does NOT forfeit an inventor’s rights to royalties or license fee income.

The Assignment is NOT required of PASSHE *faculty* who do not make “substantial use” of University facilities or resources, as defined in the APSCUF CBA. Therefore, in the latter situations, faculty retains ownership of their invention, but **may voluntarily assign** title to the University in return for assistance in protecting and marketing the technology.

How can an Inventor benefit from assigning ownership to the University?

When the University receives an assignment of ownership from an Inventor, the University can take steps to file for patent protection of the invention, paying all the filing and legal costs of doing so. Initial legal costs can range from \$8,000 to \$15,000. Total costs can range up to \$25,000. The Universities have access to attorneys who specialize in patent law. The University can also provide the services of experienced Technology Licensing Officers who assess the invention for its commercial potential, as described below, and seek out businesses, both regionally and nationally, that may buy licenses to use the invention, thus generating income for both the Inventor and the University. The University can take future legal action to ensure no one uses the patented invention without permission and otherwise protects the value of the invention. Patents require payment of annual maintenance fees, which the University will assume. The Technology Licensing Officers monitor all licensing agreements to ensure license fee payments are consistent with agreements and actual product sales or profitability. License agreements signed by the University will typically allow access to examine the licensee’s financial records to ensure the product’s sales and profitability are properly represented to the University and the Inventor.

After assignment, an Inventor can remain an active participant in commercialization efforts, as the Technology Licensing Officers will follow-up on all leads provided by the Inventor. It is possible that the Faculty can do additional research for the licensees under sponsored research agreements.

In summary, an inventor can only realize income from their invention if it is properly protected through the filing and issuance of a patent, and if it is successfully marketed to business. All revenues are shared with the inventors. These services are provided by the University at no cost to the Inventor, **when** the invention is assigned to the University.

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What are my rights and responsibilities as a student regarding intellectual property? As a faculty member what do I need to know about student intellectual property rights?

In general, any Intellectual Property such as: theses and dissertations, inventions, discoveries, creations and new technologies conceived or first reduced to practice by an undergraduate or graduate student as a work product (including homework assignments, laboratory experiments, special and independent study projects) for ACADEMIC CREDIT will be OWNED BY THE STUDENT. It is very possible that cases will arise where there is joint inventorship and joint ownership between student and faculty. Each party will be guided by the guidelines that apply to their status.

Situations may occur in certain courses or special projects where students are presented with the opportunity to participate in projects or activities in which the ownership of any resulting intellectual property must be assigned either to the University or to a sponsoring entity as a condition of the student's participation. Special Student Intellectual Property Agreement Forms are available to deal with all of the situations requiring assignment, or notification of the sponsors of the research. Faculty has the responsibility to collect the correct Student Intellectual Property Agreement form in the defined special situations. Refer to the “**Student Intellectual Property, Technology Transfer and Commercialization Guide for PASSHE Universities.**”

What about situations where the original idea for a student thesis or dissertation came from the faculty?

It is possible that situations will arise when a faculty and a student are co-authors or co-inventors. In a case of co-inventorship, a faculty member and a student will be guided individually by the set of guidelines that apply to them. It's conceivable that the student will be required to assign his/her share of ownership rights, but the faculty may be allowed to retain their share of ownership. It is difficult to commercialize such an invention, so the University will explore options to simplify the matter. The University will have the option to return the student's rights to the student, thus allowing the faculty and student to move forward, privately without University support for patent costs. Another option in this case is for the faculty to voluntarily assign ownership to the University. In the latter case the University may submit the invention disclosure to the TTO for evaluation.

Who pays for the patent?

If an invention is patentable, and is owned by or is assigned to the University, the University may pay for the cost of filing a patent or may seek an industrial partner to pay for it. Initial patent filing costs are typically in the range of \$8,000 to \$15,000. The University also pays for the costs of marketing the invention. PASSHE utilizes the services of Penn State Research Foundation as its technology transfer agent that is responsible for protecting, developing, and licensing inventions made by PASSHE employees by evaluating inventions disclosures, pursuing patents and other intellectual property rights and licensing such rights. If the University does not own the invention or does not receive assignment from the inventor, it has no obligation to pay for a patent and any costs leading to filing a patent.

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How are royalties and fees distributed?

Specific sponsor contracts or laws may dictate royalties and fee distribution, After recovery of any direct patent or copyright prosecution, maintenance, or infringement litigation costs incurred by the University and other expenses, net income is distributed to faculty as defined in the individual mutual agreement or the faculty CBA, whichever applies.

Distribution of royalties and fees to other employees and students, must be established in an individual mutual agreement.

What is net income?

Simply stated, net income is the income realized from royalties and license fees after the payment of related expenses incurred to generate the income. The PASSHE-faculty CBA defines Net Income as “the total income generated by the licensing, sale, distribution, or other commercialization of Intellectual Property, less the direct and indirect expenses incurred by PASSHE/University for: a. ‘Substantial Use’ of PASSHE/ University resources/support/facilitates. b. The sale or licensing of Intellectual Property. c. The production, development, maintenance, and distribution of Intellectual Property. d. Litigation and other steps to obtain, maintain, enforce, or defend the patent/copyright/trademark/trade secret/license rights of Intellectual Property.”

How do inventors initiate the process of protecting *patentable* intellectual property?

The inventor(s) who has created intellectual property that is patentable, including software, should complete and submit an Invention Disclosure form to their dean or Department Director, who will forward it to the University AO. The disclosure should be submitted at least FOUR weeks prior to public disclosure. The University AO will make a determination to forward the disclosure to the System’s Intellectual Office, for assignment to a Technology Licensing Officer.

The Disclosure form is available as Appendix E-1 or E-2 in the “Intellectual Property Guide for PASSHE Faculty and Other Employees”. It is also available from the University’s Sponsored Research Office (or equivalent) and the University’s named Authorized Official.

What happens after the submission of an Invention Disclosure Form ?

- A disclosure number will be assigned to the invention and a Technology Licensing Officer will be appointed to work with the inventor and the invention. Appointment usually occurs within 2-3 weeks after submitting the invention disclosure.
- The Technology Licensing Officer contacts the inventor (or principal inventor contact) for an initial discussion.
- The Technology Licensing Officer assesses the invention (see below) to determine possible commercial or protection strategies. However, not every invention lends itself to patenting or other protection; the invention may be marketable as know-how or a trade secret.

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Patentable inventions are unique, non-obvious, and useful in that they fulfill a genuine market need.

- If protection is deemed appropriate, a provisional patent application is generally filed. A provisional patent application is not a full patent application. It provides a one-year period in which to file a full patent application, and it establishes a priority date for the invention. PASSHE frequently uses provisional patents to protect inventions that are to be subsequently publicly disclosed as a conference talk or in an academic paper. The inventor will work with a legal counsel to draft the provisional patent application.

- The year between the provisional filing and full patent filing is the opportunity for the inventor and the Technology Licensing Officer to further advance the invention by securing additional funding, developing the technology, performing market analyses, searching for similar or identical patents, and/or contacting commercial entities interested in the invention for further commercial development. This one-year window is crucial for positioning the invention for patenting; it should be a collaborative effort between the inventor and the Technology Licensing Officer.

- The University Authorized Official (AO) and/or designees reviews the invention disclosure and the provisional patent application for inventions not derived from industry-funded research projects. The University AO may utilize a committee for this purpose. The University AO or designated committee provides a pass/fail recommendation for patent protection that strongly influences the decision to file for a patent. If patent protection is deemed appropriate, the Intellectual Property Office contracts with outside legal counsel to prepare the appropriate application(s). The inventor should work closely and in a timely manner with legal counsel to ensure that an effective patent application is drafted.

Applications/inventions that are not accepted for patenting at any point in the above process may be abandoned, revised based on further development of the invention, or in some cases re-assigned to the inventor.

- The Intellectual Property Office negotiates to secure an appropriate technology transfer, normally in the form of a License, Option, or, in some cases, Materials Transfer Agreement. The inventor (and the academic department) typically has no role in the negotiation process.

- If a License, Option, or Materials Transfer Agreement is reached, financial returns, after deducting patent expenses, are distributed as above. The inventors' portions of the income are divided according to the contribution percentage that the inventors establish. A memo to establish the percentages to be paid to each invention will be sent to the Inventors before making payment .

How does a TLO assess an invention?

The TLO reviews the invention disclosure, discusses the invention with the disclosers and initiates an assessment to address the following:

- Clearly identify the invention and inventorship

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- What is the state of development/reduction to practice of the invention? Is further development necessary? If yes, are the resources (personnel, funding, facilities and equipment) available?
- Is the invention marketable?
- What is a rough estimate of the size of the market?
- Is the invention patentable? Is the invention new, non-obvious and useful? Is there prior art? Is the invention an improvement of an existing invention?
- If the invention is patentable, is the patent enforceable? Will it be difficult to determine if others are infringing the patent?
- Have there been any enabling public disclosures (publications, presentations, thesis/thesis defense or non-confidential discussions outside the University) of the invention? If yes, when. If no, are there plans to publicly disclose the invention? Any enabling public disclosure has an immediate and irreversible effect on patenting.

What is a typical patent protection strategy?

Based on the initial review and assessment, the TLO will formulate an appropriate strategy to protect the invention, typically involving either patent protection or copyright protection. A typical patent protection strategy is outlined below.

- File a provisional patent application either: 1) immediately prior to the first enabling public disclosure or 2) immediately if there is concern about competing technologies under development. In order to file a fully enabled provisional patent application, the inventors must provide a full and complete disclosure of the invention to the patent attorney preparing the application. Inventors must be available to assist the attorney preparing the application.
- It is important to file a provisional patent application soon enough to fully protect the invention, but not unnecessarily early. A provisional patent application provides one year of protection in both the U.S. and internationally. This allows time for additional research, development, sample preparation, prototype development and assessment of the invention. Filing a provisional patent application unnecessarily early will limit the time available for further development and assessment.
- The next patenting decision is whether or not to convert the provisional patent application to a "full" U.S. patent application and/or a Patent Cooperation Treaty (PCT) patent application. This is a difficult decision due to the expense involved. A typical U.S. patent costs \$20,000 or more. International patent protection is highly dependent upon the countries involved, but typically begins at \$50,000.
- If the invention is licensed (or optioned) to a company prior to or during the one year of protection provided by the provisional patent application, then the provisional will be converted to a "full" U.S. patent application and/or Patent Cooperation Treaty (PCT) patent application and the licensee (optionee) typically pays all patent expenses.
- If the invention is not licensed during the one year of protection provided by the provisional patent application, then the decision whether or not to convert is made by the University Authorized Official or designees with input from the inventors, the TLO and the IPO.
- If the decision is made not to convert the provisional patent application, then: 1) the provisional is abandoned and no further action is required, 2) depending upon

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the date of enabling public disclosures of the invention (if any), another provisional patent application could be filed or 3) the inventors could petition the University to release the invention to them. The inventors should discuss the above options with their TLO.

- If the decision is made to convert the provisional patent application to a “full” U.S. patent application and/or PCT patent application, then it is essential that the inventors cooperate fully and be available to offer their input to the patent attorney preparing the patent application. The inventors’ insights and inputs in response to patent office inquiries and office actions will be required throughout the patent prosecution process.

How does a TLO market a license?

When appropriate (as determined by a variety of factors) the TLO will begin marketing the invention to potential licensees with assistance from the inventors. Marketing activities may occur before, during and/or after the patenting process as necessary. A marketing strategy may include any combination of the following:

- Pursuing leads and contacts developed by inventors. The majority of university license agreements result from contacts provided by the inventors.
- Focused/directed informational mailings.
- Posting on websites
- Leads developed from databases and the Internet.
- Publicity from publications, presentations at conferences and newspaper and trade journal articles.

What happens after a company expresses interest in my invention?

After a company or companies with interest in the invention are identified, discussions begin and it is likely that a series of agreements will be negotiated and executed. These may include the following.

- Confidential Disclosure Agreements allow the parties to share proprietary information under confidentiality.
- Material Transfer Agreements allow one party to share materials, samples or prototypes with another party for evaluation purposes and to determine if there is interest in licensing. This sharing of materials occurs while maintaining control of the invention, ownership and rights.
- In an Option Agreement the owner of an invention grants certain limited rights to another party for a defined period of time for the purpose of evaluating and/or further developing the invention.
- License Agreements transfer well-defined rights from one party to another party for the purpose of commercializing an invention in return for some form of compensation, usually financial benefit. Key elements of License Agreements include:
 - Identification of rights being licensed.
 - Definition of the Field of Use.
 - Type of license – exclusive, non-exclusive or semi-exclusive.
 - Fees – up-front fee, milestone payments.

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- Royalties – running royalty, minimum annual royalty.
 - Equity.
 - Due diligence – licensee’s obligations to make progress toward commercialization of the invention.
 - Reimbursement of all patent expenses associated with the invention.
- After the execution of license agreements the TLO continues to communicate with licensees.
- To follow up on the payment of fees, royalties and equity.
 - To monitor due diligence requirements.
 - To seek licensee’s input regarding patenting decisions and payment of patent expense.

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What about software?

Patentable software is an invention, treated like any other invention under these guidelines. PASSHE Faculty owns educational courseware and non-patentable software except when it is created as a work-for-hire initiated by the University. If the faculty chooses to make a voluntary assignment of ownership of their educational courseware and non-patentable software to the University, then the Intellectual Property Office manages and markets software owned by the University.

Software developed by non-faculty employees and paid students is within the employee's scope of employment and is owned by the University.

Software developers should submit a Software Disclosure Form (Appendix E-2) to initiate the process and services of the IPO. If in doubt that the software is patentable or not, please contact the IPO for advice.

What about publishing?

Any public disclosure, such as a publication, presentation, thesis and thesis defense, has an impact on patenting. By keeping the IPO well informed of upcoming public disclosures, IPO can formulate an appropriate patent strategy that minimally impacts publications and presentations.

What is the primary objective of PASSHE's Technology Transfer and Commercialization practices?

The primary objective of the technology transfer process is to transfer technologies from the University to companies with the interest, ability and resources to commercialize them such that the public can benefit from University inventions. Another objective is to protect faculty inventions in order to capture a fair portion of the value of the invention for the benefit of the inventors, and the University.

What are PASSHE's official guidelines on intellectual property?

The relevant PASSHE guidelines are "Technology Transfer and Commercialization Guide for PASSHE Faculty" and "Technology Transfer and Commercialization Guide for PASSHE Non-Faculty Employees". For student academic work, refer to "**Student Intellectual Property, Technology Transfer and Commercialization Guide for PASSHE Universities**". Also refer to the University policies for managing Conflicts of Interest which should be available from the University Authorized Official, the University Sponsored Research Office or equivalent, upon request.

Why did PASSHE develop Technology Transfer and Commercialization guidelines?

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In 2006, a Technology Transfer and Commercialization Committee was created as part of PASSHE's economic development initiatives. The Economic Development initiative included representatives from all PASSHE Universities and the Chancellor's Office. The Committee's purpose included developing guidelines for faculty, students, employees and administrators to facilitate compliance and implementation of the Faculty Collective Bargaining Agreement, the Bayh-Dole Act and to provide resources to support commercialization of inventions developed by PASSHE faculty and employees. The committee reviewed and considered numerous compliance guides, other University procedures and resources, and the day-to-day operational tasks of a comprehensive Technology Transfer Office or resource network. The Committee considered current and emerging issues and strategies for invention protection, and a wide range of related issues.

What does the University do with its share of net income from royalties and fees?

After paying costs associated with the patent process, the University invests its net income in research and education as required by the Bayh-Dole Act.

Where can I learn more about patents, copyrights, and trademarks?

You can find good general information on [patents](#), [copyrights](#), and [trademarks](#) on the websites of the US Patent and Trademark Office and the US Copyright Office.

Who can help me do a patent search?

You can try your own preliminary patent search on such sites as the U.S Patent and Trademark Office's [Web Patent Database](#) or at the [Delphion Intellectual Property Network](#).

What if I want to start my own company to commercialize my invention or license the invention to my own company?

If you have an interest in starting a company based on the disclosed invention or technology, contact the University's Authorized Official, or designee prior to formation of the company. Because PASSHE Universities are public, state agencies, there are legal restrictions against a PASSHE University granting licenses to an employee-owned company. Specific questions should be directed to University Legal Counsel.

Who can help me with sending or receiving proprietary materials to or from parties outside the University?

If you plan to send proprietary materials outside the University or PASSHE System or receive proprietary materials from outside the University or PASSHE system, contact the Sponsored Research Office or equivalent (see Appendix A) to discuss if a Material Transfer Agreement (MTA) is needed. For more information on MTAs see "[Materials Transfer in Academia, Questions and Answers](#)" published by the Council on Governmental Relations, September 2003. **Guidance is provided in Appendix ____.** **(Under development.)**

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What precautions should I take when I have to share confidential information with non-University or non-PASSHE representatives?

Contact the University Sponsored Research Office or equivalent (see Appendix C) if you need a Confidential Disclosure Agreement to share PASSHE confidential information with non-PASSHE representatives or to receive confidential information from outside PASSHE. **Guidance and STANDARD Disclosure agreements are available from University Legal Counsel, the PASSHE IPO and the University AO.**

What about works made for hire?

A “Work for hire” is a provision of the Copyright law. The Faculty-CBA also addresses “works-made-for hire” in the following manner: Ownership and creative control of works made for hire will be governed by an agreement to be made prior to commencement of work between the Universities and the creator. The creator is one who receives payment for the particular work. A Work-For-Hire template is available for administrators from Legal Counsel.