

## **TU Delft Regulations on Inventions and Software Remuneration**

### THE EXECUTIVE BOARD OF DELFT UNIVERSITY OF TECHNOLOGY

Considering that Delft University of Technology (TU Delft) attaches importance to the development and valorisation of knowledge, know-how and research results, as well as to the responsible commercial exploitation of such;

and that in this context it is desirable to establish further regulations on the fair remuneration for inventors, in particular, who receive income from their inventions and patents, as well as for software developers who receive income from such;

has

in view of Article 4.5, paragraph 5, of the Higher Education and Research Act;

and taking account of Article 1.20, paragraph 2, and Article 1.23 of the Collective Labour Agreement for Dutch Universities (CAO NU) 2011-2013;

in accordance with the employee organisations in the Local Consultation Body (Consultation Meeting LO481, dated 7 October 2014);

taking account of the advice of the Student Council (number MH/SR/14/6, dated 28 October 2014);

and following approval of the Works Council (number 14.OR-UIT.104, dated 4 December 2014);

approved the following regulations:

#### **Article 1 Definition of terms**

The following definitions apply in these regulations:

**a. operator:** the person who, or company which, is responsible as licensee or owner for the commercial exploitation of the patent, invention or software, and is or will be in the position to acquire income from such;

**b. income:** all financial income received by TU Delft which, in accordance with the contractual agreements between TU Delft and the operator, can be traced back to the invention, or revenue (including cash) from other forms of commercial exploitation, including sale of the invention, patent or software;

**c. patent:** a patent as defined in the 1995 Dutch Patents Act, as well as the patent application;

**d. software:** computer programs and the preparatory material as defined in the Copyright Act;

**e. inventor:** 1) the person who has an employment contract with TU Delft at the time they made the invention;

2) the person (student) who has transferred his or her entitled rights to the invention to TU Delft and whereby the transfer of such rights has been accepted by TU Delft;

**f. invention:** an invention as defined in the 1995 Dutch Patents Act.

## **Article 2 Applicability and rightholders**

1. These regulations apply to financial income of TU Delft from inventions and patents in the name of an inventor, for the share that is or was the property of TU Delft.
2. If TU Delft is compensated in shares for the transfer of a patent, these regulations shall be applicable to the financial income (distribution of profits or proceeds from sale) from the shares of TU Delft, insofar this is related to the invention or the patent.
3. If the inventor also functions as the operator, his or her rights ensuing from the regulations will be included in the agreements made between TU Delft and the inventor as the operator.
4. These regulations are only applicable if the inventor is not entitled to payment for other reasons related to the invention or patent.
5. These regulations do not apply if TU Delft receives payment in kind, including budget intended for research, as compensation in full or in part from inventions or patents.

## **Article 3 Software**

The provisions of these regulations apply mutatis mutandis to software developed in the context of work for TU Delft and pecuniary income received from transfer or licensing.

## **Article 4 Awarding financial remuneration**

1. The remuneration will be awarded to the inventor in person during the period in which TU Delft receives income related to the invention or patent, irrespective of whether or not the inventor is in contracted employment at or otherwise associated with TU Delft during the period in question.
2. The remuneration will be awarded to the rightholder as a gross amount.

## **Article 5 Financial structure of remuneration**

The income that TU Delft receives will be apportioned as follows:

- i) The amount of costs relating to the application for, and the retention and marketing of the patent, will be deducted from the income.
- ii) The subsequent remaining balance of the income (net amount) will be apportioned according to the following principles:
  - One third (33 1/3%) for the inventor/inventors, individually (in the case of a single inventor) or collectively (in the case of multiple inventors), to be apportioned in accordance with the established division (inventor's share) on the Invention Disclosure Form;
  - One third (33 1/3%) for the faculty where the inventor was employed at the time the invention was made;

- One third (33 1/3%) for the patent fund, administered by or on behalf of TU Delft.

#### **Article 6 Remuneration in shares**

1. In the event that TU Delft receives shares for compensation for transferral or licensing to third parties for an invention or a patent or a part thereof, TU Delft may, exceptionally and tailored to the case, agree with the inventor that he or she shall receive remuneration in shares instead of in cash.

2. The valuation of the remuneration in shares to the inventor will take place as far as possible in accordance with the principles specified in Article 5, to be determined on receipt of the shares by or on behalf of TU Delft.

#### **Article 7 Calculation of remuneration for composite income**

In the event of income generated from more than one patent or invention, without the possibility of specifying which part of a patent or invention has contributed to the whole, the financial remuneration structure will be applied to the received sum, on the understanding that the remuneration will be calculated for each inventor proportional to the number of patents and the number of inventors per patent.

#### **Article 8 Unforeseen**

In any cases not covered by these regulations, the Executive Board will use its judgement after consultation, with due regard for the interests of all parties concerned.

#### **Article 9 Date of commencement**

These regulations will enter into force on the first day after publication of the digital newsletter in which notification is given of the regulations.

#### **Article 10 Title of the regulations**

These regulations shall be referred to as the 'TU Delft Regulations on Inventions and Software Remuneration'.

The regulations shall also be published on the TU Delft website.

An announcement of these regulations, and of their publication on the website, will be made in TU News, the TU Delft digital newsletter.

This was agreed in the meeting of 16 December 2014.

D.J. van den Berg

President

## **Explanatory notes to the 'TU Delft Regulations on Inventions and Software Remuneration'**

### **Introduction**

Besides education and research, knowledge valorisation is one of the core tasks of TU Delft. What is important is generating economic value from scientific research results through application in services or products offered on the market. To this end, TU Delft sets up new companies (start-ups, spin-offs) or grants existing companies the right to use results from research and technology development. The results to be valorised consist primarily of software and inventions or are laid down in patents.

Maximising patent ownership is not an end in itself. Policy is aimed at maximising commercial activity based on research and technology developed at TU Delft. Knowledge valorisation preferably also generates income for TU Delft. Remuneration to TU Delft for the application of knowledge or technology may consist of royalties in the event of a licence agreement, a remuneration in the event of sale, in kind, or participation in a company (in the form of shares). The choice between participation, licence agreement or sale depends on the type of invention or software, the market and the self-interest of TU Delft.

Employees who believe they have invented something should report this to their employer (see Art. 1.21 of the Collective Labour Agreement). At TU Delft, this is done through the website: Employee portal → Targeted info → Knowledge valorisation → Intellectual Property → Inventors portal. The invention can be registered by filling out the 'New Invention Disclosure' form online. This is followed by a process of consultation and literature review (Library) before a decision is taken on whether to apply for a patent. The entire process is described on the website of the Valorisation Centre.

### **General**

The general rule pertaining to intellectual property is that the inventor, author or designer is the rightholder of the intellectual property that has been conceived. Creation = ownership. Copyright exists at the time of creation; rights to inventions must be applied for and exist following the granting of a patent. These rights are entered in the patent register. Software rights are laid down in the Copyright Act (Aw) and patent rights in the 1995 Dutch Patents Act (ROW). Exceptions to the general rule are the intellectual property law rights originating while in employment with another party (employer, university). This is regulated for patents in Article 12 of the Dutch Patents Act and for copyright in Article 7 of the Copyright Act. As this concerns non-mandatory rules, it enables modified agreements to be made. If no modified agreements are made, the articles in question will be fully applicable. For universities, Articles 1.20 to 1.23 of the Collective Labour Agreement are also applicable.

Article 12, paragraph 3 of the Dutch Patents Act states that if an invention has been made by a person carrying out research in the service of a university, the university in question shall be entitled to the patent. Article 12, paragraph 6 of the Dutch Patents Act states that in the event that the inventor cannot be deemed to have been compensated in the salary earned for not having been granted a patent, the party who is entitled to the patent (in this case the university) will be obliged to grant the inventor equitable remuneration related to the pecuniary importance of the invention and the circumstances under which it was made.

Article 12, paragraph 7 of the Dutch Patents Act states that any stipulation that is in derogation from this shall be void.

### **Application and right holder (Art. 1.e, 2)**

Firstly, members of staff (and current and former students) of TU Delft may qualify for compensation when TU Delft obtains net income from patented and non-patented inventions. However, the definition of the concept of inventor is not limited to staff and students. Visiting members of staff or those commencing employment, who, as individuals, own the rights to an invention and transfer these rights to TU Delft, which in turn has accepted the transfer of such rights, are also subject to the terms of these regulations. Income that TU Delft acquires in this context refers to pecuniary income obtained from sales and licensing or from dividends. TU Delft must have actually received the income. Intellectual property rights to inventions and their associated patents are owned by TU Delft, in accordance with Article 12, paragraph 3 of the Dutch Patents Act. In practice, members of staff share in the net proceeds from patents.

Occasionally, students are involved with patents as inventors or co-inventors. In such cases, TU Delft can apply for a patent and pay the costs of maintaining patent rights. In order to be eligible for any remuneration, visiting members of staff, students and any third parties involved (such as PhD candidates with an appointment elsewhere and fellows, etc.) need to sign a declaration renouncing claims to database rights, software and industrial property rights, before participating in a project or research from which patentable knowledge can result and for which the visiting member of staff, student or third party could be entitled to certain rights, whereby they state they will provide every assistance in submitting a patent application, if applicable, and in which they have also committed themselves to comply with an appropriate declaration of confidentiality related to the nature of the project or research in question. Under the law (Article 12, paragraph 1 to 3 of the Dutch Patents Act), it is justifiable that TU Delft is the right holder in the event that a student participates in a TU Delft research project and in this context makes an invention. Seeing that this is not literally stated in the Dutch Patents Act and a student is not in employment with TU Delft, the student will be requested to sign the aforementioned declaration prior to participation, and in the event of an actual case of an invention, the student will be requested subsequently to transfer the rights to TU Delft. As a result of this the student will then be recognised as the inventor under the 'TU Delft Regulations on Inventions and Software Remuneration' with all ensuing rights. Naturally, an inventor cannot transfer any rights that he or she does not possess. In other words, the inventor in the service of another party, not being TU Delft, cannot transfer rights by bypassing his or her employer. TU Delft must have accepted the transfer.

The remuneration is only applicable if the inventor is not entitled to payment for other reasons. This is the case, for example, when an invention is made in collaborative partnership and a number of the inventors are employed by another party than TU Delft and there is a question of shared ownership between that employer and TU Delft. The remuneration will be calculated exclusively over the part that TU Delft owns. If, for example, TU Delft owns half of a patent, the remuneration will be calculated over that percentage of the income from the patent. It also occurs that TU Delft receives remuneration in kind, such as measuring equipment, in return for research. In such cases, no pecuniary income can be shared with the inventor. In exceptional cases, an agreement can be made with the inventor

to award pecuniary remuneration or a bonus payment. A project fully funded by third parties may occasionally also be seen as remuneration in kind.

### **Software (Art. 3)**

The Copyright Act does not incorporate the detailed provision on remuneration for loss, but selling or licensing of software is very similar to selling and licensing of patents. Patents for software can be applied for in the USA, whereas in Europe this is only possible when the software is part of a technical invention ('embedded' software). The procedure and the form for application are identical. Software, just like patents, can generate income. There is sufficient reason therefore for applying the remuneration system for inventors. Because the legal provisions governing software are incorporated in the Copyright Act, the remuneration for software developers is governed by analogy with the remuneration for inventors.

### **Awarding remuneration (Art. 4)**

For the awarding of remuneration, TU Delft uses the 'TU Delft Regulations on Inventions and Software Remuneration'. The execution of this task has been assigned to the Valorisation Centre in collaboration with Delft Enterprises B.V., who ensure the correct execution of the calculation and the division in close consultation with the relevant faculty or research institute.

The remuneration is awarded to the inventor or inventors in person. The amount of remuneration depends on the amount of pecuniary income related to the patent in question. The specific income directly related to the patent is determined. This is straightforward in the case of selling. In the case of shares in a start-up, the participation of TU Delft is not only determined by the contribution of patents, but things like goodwill and support also play a role. In this, the part of the income is determined which is directly associated with the patent.

The remuneration is awarded as a gross amount to the recipient. This means that in the event that the inventor is still employed by TU Delft, the normal statutory deductions will be withheld from the awarded amount by TU Delft as employer. In the event that the inventor is no longer employed by TU Delft, the gross amount will be paid out and the inventor will be responsible for fulfilling the fiscal obligations.

### **Determining the remuneration (Art. 5)**

The sum of the costs (including advisory costs such as concerning commercial possibilities) related to the application and granting procedure and for maintaining the relevant patent (Dutch patent, international patent or possible PCT application in the various countries) will be deducted from the remuneration. These amounts will benefit the TU Delft patent fund, administered by Delft Enterprises B.V., where the costs in question were incurred, or might go to other possible budgets where the costs are or have previously been covered. Compensation in kind, such as measuring equipment or the funding of a PhD position, falls beyond the scope of these regulations.

Any surplus of the proceeds (net amount), in cash or otherwise, will be apportioned according to the principles in Article 5 (the so-called one-third principle).

Any possible fiscal deductions shall be borne by the recipient of the remuneration. For the recipient, the remuneration is therefore, in terms of taxation, a gross amount. Insofar as the recipient of the remuneration is employed by TU Delft at the time of payment, TU Delft will meet its statutory obligation to withhold deductions and taxes.

### **Remuneration in shares (Art. 6)**

Although the general rule is pecuniary remuneration, there may be reasons to remunerate the inventor in the form of shares in the event that TU Delft is compensated in shares, such as in a start-up or a spin-off. Remuneration in shares should only take place in extremely exceptional circumstances and only on the basis of individual agreements. The value and the size will be determined at the time the TU Delft shareholding has been declared and has been received on behalf of TU Delft by Delft Enterprises B.V. The system of allocating the remuneration in cash will be used as far as possible in the allocation of shares. If the inventor remains in active employment at TU Delft, but is not actively involved in the company that utilises the invention or patent, he or she will receive non-voting shares, or the shares will be deposited in a TU Delft Administration Office Foundation and he or she will receive the certificates pertaining to the shares. If the inventor is actively involved in the company, specific agreements will be made with him or her according to the situation. The basic premise in this is that no conflicts of interest should exist between his or her work for TU Delft and the company. The Scientific and Academic Integrity Regulations apply *mutatis mutandis*.

The regulations are naturally only applicable to the shares that are related to the invention or patent. Shares acquired by TU Delft as compensation for other matters are not covered by the regulations. These include such matters as the right to use know-how, consulting services, use of facilities, use of the name of TU Delft and so forth.

### **Composite income (Art. 7)**

In the event of composite income, the article concerning the remuneration structure will apply to the received amount. From the net amount resulting from this, the inventor's share will be divided by the number of inventions that contributed to the received amount. The amount thus calculated per invention will be divided by the number of inventors indicated as inventors with the patent or patent application in question (shared remuneration). The amount to be paid per inventor is the sum of the calculated shared remuneration for the inventor in question. Guidelines will be drawn up with calculation examples for practical purposes.

### **Unforeseen circumstances (Art. 8)**

In such cases not covered by these regulations, the Executive Board will use its judgement after consultation with those involved and will make a well-founded decision, in compliance with the interests of all parties concerned. It will do so only after prior consultation with the Valorisation Centre or Delft Enterprises B.V. and the dean of the faculty or director of the research institute where the inventor was employed at the time of making the invention.