

# **POLICY AND PROCEDURE**

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■ Policy Name: UTM Intellectual Property Commercialisation Policy

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Approved by: Board of Directors UTM

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Effective Date:

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Last Amendment:

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## SECTION 1 – INTRODUCTION

In line with the University's aspirations to exploit its intellectual property to be benefited by the society and as a mean to generate more income, the Commercialisation Policy is introduced to assist inventors and managers to ensure commercialisation activities are carried out efficiently.

### SCOPE

This Policy sets forth the University's policies in relation to commercialization and exploitation of UTM's Intellectual Property and distribution of income derived therefrom. This Policy is applicable to all University's Employees, Students and others (by agreement).

### DEFINITION

Term	Definition
Commercialise or Commercialisation	To use, apply, publish, manufacture, assign, licence, sub-licence, franchise, sell, exploit, market, or otherwise use or dispose of the IP for the purpose of generating financial or other commercial returns.
Commercialisation Costs	All necessary and/or reasonable costs incurred during commercialisation of Intellectual Property, including but not limited to: (a) Intellectual Property registration and prosecution; (b) legal; (c) other professionals giving rise to Commercialisation revenue; (d) related travel and accommodation by UTM Employee(s) and/or others involved; (e) incurred taxes and (f) UTM overhead charges or management fee.
Commercialisation Revenue	(a) royalty upon sale by a licensee; (b) royalty from sub-license fees received from a licensee; (c) lump sum license fee; (d) proceeds of sale of the Intellectual Property; (e) signing fee; (f) milestone payments; (g) minimum annual payments; (h) reimbursement of Intellectual Property registration and prosecution; (i) dividends upon shares owned by UTM in a spin-off company to which it grants a license where researchers do not own any equity in the spin-off company; (j) proceeds of sale of shares owned by UTM in a spin-off company to which it grants a license where researchers do not own any equity in the spin-off company; and (k) damages from any infringement proceeding. The above list is not exhaustive, and does not include the overhead component of research funds paid pursuant to a research agreement.
Contributor	Any person who makes a material contribution to the creation or demonstration of the Intellectual Property.
Employee	Any person employed by UTM part-time or full time, contractual or permanent and includes both academic and non-academic staff.
Faculty	Any division or department within UTM comprising one subject area or a number of related subject areas.
ICC	Innovation and Commercialisation Centre.
InnoComm Committee	A group of expert and professionals from the Academia, public institutions and private sector (refer to InnoComm Committee Term of Reference). The InnoComm Committee have the following membership :

	<ul style="list-style-type: none"> <li>(a) Director of Innovation and Commercialisation Centre (ICC); As Chairman</li> <li>(b) Director of Research Management Centre (RMC);</li> <li>(c) Dean of School of Graduate Studies (SPS);</li> <li>(d) Chief Executive Officer of UTM Holdings Sdn. Bhd.;</li> <li>(e) Deputy Director Innovation Unit, ICC;</li> <li>(f) Deputy Director Commercialisation Unit, ICC;</li> <li>(g) Legal Officer; and</li> <li>(h) Three other persons appointed by the University</li> <li>(i) Eleven Research Alliances' Dean of Research</li> <li>(j) Representatives of institution as per list: MTDC, MAVCAP, MOSTI, MDeC, IXC, Biotech-Corp , SME Corp, or other invited member to attend the event.</li> <li>(k) Representative of industry or investment banker (where appropriate)</li> <li>(l) Secretary (Deputy Director of ICC)</li> </ul>
Intellectual Property (IP)	All forms of intellectual property protected under the laws of Malaysia or other legislations on Intellectual Property including copyright, patents, industrial design, trademarks, geographical indication, Integrated Circuit layout designs, new plant varieties, know-how and confidential information.
Invention	Idea which permits in practice a technical solution to a specific problem in technology and may relate to, a product or process.
Net Commercialisation Revenue	Gross Commercialisation Revenue less Commercialisation Costs.
Originator	Inventor, creator or author of the Intellectual Property.
Research Alliance	A formal association established that consists of centres of excellence, laboratories, formal and informal groups of individual professors, established research groups within UTM (possibly involving outside parties).
Student	A registered student of UTM.
Spin-Off Company	A company that exploits a university or research institution Intellectual Property.
UTM	Universiti Teknologi Malaysia.
UTM Holdings Sdn. Bhd.	A wholly-owned subsidiary company of UTM.

## RELATED LEGISLATION AND POLICIES

The policy is developed based on related legislation and policies.

Name	Section covered
Trade Marks Act 1976 Copyright Act 1987 Patents Act 1983 Protection of New Plant Varieties Act 2004 Geographical Indication Act 2000 Industrial Design Act 1996 IC Layout Design Act 2000	All

UTM Intellectual Property Policy  
Intellectual Property Commercialisation Policy For Research & Development (R&D) Projects Funded By The Government of Malaysia (June 2009)  
National Intellectual Property Policy (2007)  
Agensi Inovasi Act 2010

Government of Malaysia General Order and related Circulars from JPA:

- a. Pekeliling Perkhidmatan Bil 2 Tahun 1993: Bayaran (Fees), Elaun-elaun dan pampasan yang boleh disimpan oleh pegawai-pegawai kerajaan yang dilantik menjadi Pengerusi / Ahli-ahli Lembaga Pengarah Badan-Badan Berkanun / Kuasa-kuasa Tempatan/ Badan-badan Perniagaan yang kerajaan mempunyai kepentingan)

## **SECTION 2 - STATEMENT OF POLICY**

### **POLICY IMPLEMENTATION**

The Innovation and Commercialisation Centre is committed to implement this policy in a transparent manner and all decisions made with regard to the implementation and review of the policy will be disseminated to the relevant stakeholders.

#### **COMMITMENT:**

1. ICC is committed to ensure the exploitation of UTM's intellectual property is carried out as per procedures set forth in this policy.
2. The Policy spells out the procedures and processes involved in the exploitation of university owned intellectual properties.

## SECTION 3 – PROCEDURE

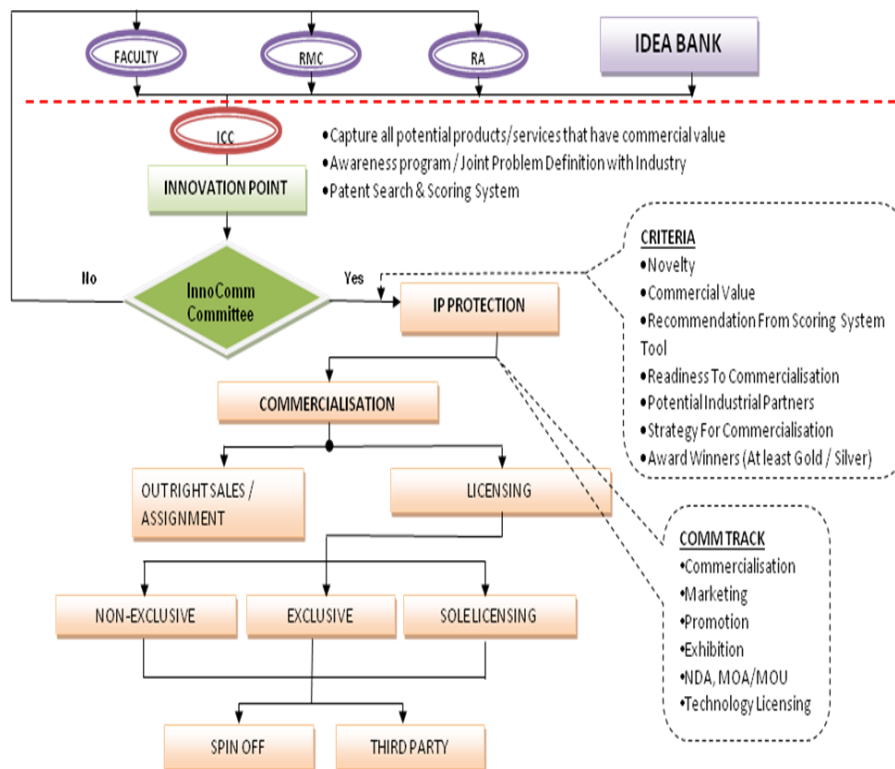
### 1.0 ADMINISTRATION

1.1 Innovation & Commercialisation Centre (ICC) is responsible in the management of innovation and commercialization activities in UTM. ICC has the functions which include and not limited to the following:

- (a) To take appropriate measures to identify, assess and protect the Intellectual Property;
- (b) To assess the business plan if available or if it is need to an appropriate business plan to suite the IP in the journey of commercialization.
- (c) To identify potential assignees/licensees;
- (d) To propose any assignments/licensing rights to a third party(s);
- (e) To determine an appropriate route to exploit the Intellectual Property; and
- (f) Any other related herein.

1.2 InnoComm Committee serves to evaluate UTM research products/services/technologies before the product goes through the process of innovation and commercialisation. The committee consists of experts and professionals from the academia, public institutions and private sectors; however additional experts may be invited as when necessary to assist the screening evaluation and grading.

1.3 ICC Commercialisation Workflow



## 2.0 COMMERCIALISATION PROCESS

- 2.1 Commercialisation may follow one of the following commercialisation modes. The Intellectual Property may be:
- (a) Exploited by the University to the market place, by way of licensing or assignment to its wholly owned company;
  - (b) Licensed by the University to a commercial partner, where the commercial partner exploits the Intellectual Property to the marketplace;
  - (c) Assigned by the University, where the University sells the Intellectual Property to a person or a company that will take it to the marketplace;
  - (d) Out right sales by the University; where the University sells the Intellectual Property to a person or a company that will take it to the marketplace.
  - (e) Exploited through the formation of a spin-off company where the University may or may not own equity in the company together with any third party.
  - (f) Exploited through the establishment of a Joint Venture Company by the University together with a third party where the University and the third party are shareholders of the company.
- 2.2 The InnoComm Committee will decide which commercialisation pathway or pathways will be explored, bearing all these factors in mind and working where possible in close consultation with the Inventors.
- This decision to exploit and commercialise technology will be made by the InnoComm Committee having considered:
- (a) the commercial risks to the University;
  - (b) any impact upon the University's reputation and standing;
  - (c) the extent to which the activity will or may depart from the University's core business;
  - (d) any legal liabilities and exposures to which the University may be subject;
  - (e) the University's insurance cover; and
  - (f) all other matters which to the University are relevant.
- 2.3 If the InnoComm Committee makes a recommendation that the Intellectual Property is feasible for commercialisation, a full proposal within the policy stipulated herein must be tabled to the University Management Committee for approval.
- 2.4 Licensing of IPs by UTM
- In the case of licensing, ICC will act as Licensor on behalf of UTM and licensing of UTM's IP will be effective through a Licensing Agreement.
- 2.5 Assignment or outright sales of IPs by UTM
- The assignment or outright sales of IPs from UTM to other parties will be effective through an Assignment or an Outright sale of IP Agreement.

## 2.6 Establishing a Spin-off Company

In the case of a spin-off company, exploiting UTM's IP, UTM may or may not own equities in the said company. However, any exploitation of UTM's IP by the spin-off company will only be effective through a Licensing Agreement.

2.7 In the event the University decides not to file or not to prosecute an IP, the University may assign the IP back to the inventor(s).

## 3.0 DISTRIBUTION OF INCOME DERIVED FROM COMMERCIALISATION

3.1 Income derived from commercialisation by the University will be categorised as follows:

(a) Net Commercialisation Revenue (including all Royalties, fees and other benefit: from Spin-off companies, JV companies and licensing to established companies). Commercialisation Revenue less Commercialisation Costs as defined in Section 1.0,

b) Distribution of Profits from a Spin-off and Joint Venture Company

Profit from business operation of a spin-off or joint venture company may be distributed to shareholders in the form of dividends according to the Resolutions of the Board of Directors of the company>

c) Assignment or Outright sales

3.2 Distribution of Net Commercialisation Revenue

3.2.1 Upon deduction of these reasonable expenses, the University Net Commercialisation Revenues (royalty) defined in Section 3.1 (a) (Net Commercialisation Revenues) above shall distribute the Net Commercialisation Revenue on the closing of the financial year in which the income is derived and may be distributed between Inventor(s), University through ICC and faculty/Research Alliance using the following formula:

No.	Nett Proceeds	Inventors	University
1	First RM 100,000.00	90%	10%
2	From RM 100,001.00 to RM 1,000,000.00	80%	20%
3	From RM 1,000,001.00 to RM 2,500,000.00	60%	40%
4	From RM 2,500,001.00 and above	50%	50%

**Table 1:** Percentage of Revenue from the IP Exploitation Which Should Be Paid To Inventor(s) and the University

3.2.2 The University ownership and the nett revenue sharing arrangements with the Inventor(s) of the IP are as stated in Table 1 according to the MOSTI Intellectual Property Commercialization Manual: Distribution Guideline.



#### 4.0 FORMATION OF A SPIN-OFF COMPANY

- 4.1 The formation of a Spin-Off company is to allow third parties investments into University IPs to enable the most effective commercialisation of that IP.
- 4.2 The InnoComm Committee in collaboration with the ICC is responsible for the investigation, market survey, product validation, IP valuation and early stage development of the commercial prototype or the opportunity represented by the IP.
- 4.3 The InnoComm Committee will seek the University Management Committee's approval to form a Spin-Off company once there is a likely prospect of it attracting investment with potential income generation of more than RM1,000,000 (Ringgit One Million only). Any expected initial amount lesser than RM1,000,000 (Ringgit One Million only), the formation will be approved at the InnoComm Committee and ICC level. In this case, the University Management Committee will be informed of the company formation.

#### 5.0 EQUITY IN A UNIVERSITY SPIN-OFF COMPANY

- 5.1 The University may or may not opt to own equity in the newly formed spin-off company. In the event UTM opt to share the returns of the company through equity holding, the following will be considered in the equity structure:
- (a) The value of IP;
  - (b) The length of service of inventor(s) at UTM;
  - (c) Degree of business potential derived from the IP and his/her knowledge and innovations; and
  - (d) The degree of University involvement in the spin-off.
- 5.2 UTM may appoint a University's representative as a member of BOD to be in the newly formed spin-off company.
- 5.3 Where the IP is created by more than one inventor, the proportion of income distribution among the Inventors shall be agreed between the Inventors and such agreement will have to be endorsed by ICC.
- 5.4 Equity in a spin-off company will be considered on a case-by-case basis. Inventors will need to consider the taxation impact, if any, upon them of holding equity. The detailed terms and conditions of share equity are to be stipulated in the shareholders' agreement.
- 5.5 The management of the spin-off company may be offered share options in a spin-off company, to be considered on a case-by-case basis.
- 5.6 Exit Strategy

The table below illustrates some of possible exit routes:

Exit Route	Outcome and Expected Return
Trade Sale	Sale of the assets and business of the company. All assets converted to cash when the company winds-up and capital gain or profit returned to shareholders. In the case of sale off all shares in the company to a single buyer, shareholders will receive proceeds of sales of the shares.

Exit Route	Outcome and Expected Return
Merger	Merging with another company. Shares in the company are exchanged for shares in the other company.
Redemption of Shares	Shares are redeemed by the company. Shares returned and cancelled and the company pays agreed purchase price.
Initial Public Offering	IPO results in raising capital from the public therefore listing with a stock exchange. Stock exchange listing provides a liquid and accessible market for a Venture Capital / Investor to sell its shares for profit.
Winding-up	In the event of the company needs to be wound up, it shall be subjected to winding-up rules and procedures.

**Table 2:** Exit Strategy for a University Spin-off Company

## 6.0 INVOLVEMENT OF STAFF/STUDENTS IN A SPIN-OFF COMPANY

- 6.1 To ensure success of the spin-off company, any Employee who participates as a partner in a spin-off activity according to specific clauses in the constitutional document have to respect the following:
- (a) will not give-up the participation, for a minimum of three years;
  - (b) will not carry out any activity in competition with the consulting and research that the University offers to public and private organizations;
  - (c) will safeguard the reputation, good name and the interests of the University and offer adequate information for the University on the activity of the spin-off and the management of the company.
- 6.2 Any Employee who proposes the creation of a spin-off or is a partner shall be authorized and attained consent by the Vice Chancellor, to carry out activity for the spin-off while continuing his/her teaching activities and maintaining their University positions.
- 6.3 Students can carry out remunerated or not remunerated activity for the spin-off company if they meet the condition that it is not in opposition with the regular and diligent fulfilment of the research tasks, with the favourable opinion of the Dean of the Schools of Graduates Studies, Office of the Students Affairs and the University's Senate.
- 6.4 Any Employee who is a partner of a spin-off company can carry out remunerated or non remunerated activity for the spin-offs with the authorization of the Registrar's office so as their responsibilities are not affected.
- 6.5 Technical administrative staff who is a partner of a spin-off company can be a member of the Administrative Board of the company only if the University has appointed him/her.

## **7.0 DIRECTORSHIP IN A SPIN-OFF OR JOINT VENTURE COMPANY**

- 7.1 Government servants who become Directors are subject to the Government Policy in the Government Circular: ***Pekeliling Bil. 2 Tahun 1993: Bayaran (Fees), Elaun-elaun dan pampasan yang boleh disimpan oleh pegawai-pegawai kerajaan yang dilantik menjadi Pengerusi / Ahli-ahli Lembaga Pengarah Badan-badan Berkanun / Kuasa-kuasa Tempatan / Badan-badan Perniagaan yang kerajaan mempunyai kepentingan.***

## **8.0 TERM OF ENGAGEMENT IN UNIVERSITY SPIN-OFF**

Universiti Teknologi Malaysia, with the theme 'Entrepreneurial Research University', stresses on entrepreneurship as a key element towards the establishment of a world class higher learning institution since 2010. UTM incorporates the entrepreneurship element into its Key Performance Indicators (KPI) as well as in the university's new tagline, Innovative Entrepreneurial Global. As UTM is moving towards entrepreneurial university, the focus is heavily on the planning and engaging the creation and development of spin-off companies.

### **8.1 Full Time Secondment**

Time commitment: Full time up to two (2) years with option to extend up to maximum of one (1) year. During this period the Inventor shall be committed full time to the success of the spin-off company and will not be engaged in teaching nor have any administrative duties from UTM. Inventor, however, is obligated to make himself available at UTM's calling at any reasonable and adequate time of notice.

### **8.2 Monitoring:**

Spin-off company performance shall be monitored by ICC and its progress shall be subject for review every three (3) months.

### **8.3 Form of Remuneration or Payment (Allowance):**

For the first two (2) years, the UTM Employee will continue to receive full salary and allowance from UTM. Beyond the first two (2) years, UTM employee will only receive Basic Salary from UTM.

### **8.4 Beyond the two (2) year period, the inventor shall rejoin UTM.**

## **9.0 DURATION OF BENEFITS TO INVENTORS**

- 8.1 Inventors will receive the benefit of the Inventors' share for as long as Commercialisation Revenue is received and upon decease, such benefits will be paid to the Inventors' beneficiaries.

## **10.0 CONFLICT OF INTEREST AND COMMITMENT IN COMMERCIALISATION**

- 10.1 UTM is committed to basic values of transparency, integrity and independence as it pursues its mission to create, preserve and disseminate knowledge through teaching, research, technology transfer, and public service. Accordingly, UTM allows and encourages faculty and staff to engage in outside activities and relationships that enhance the mission of UTM. All faculty and staff members are to act with honesty, integrity and in the best interest of UTM when performing their duties and to abide by the highest standards of research, educational, professional and fiscal conduct.
- 10.2 Given that UTM allows and encourages outside activities and relationships that enhance the mission of UTM, potential conflict of interest and commitment are inevitable. Outside activities which include sponsored or

collaborative research and IP commercialisation, should not, however, interfere with an individual's obligations to UTM. Inventors and Employees must not use their official UTM positions or influence to further gain or advancement for themselves, parents, siblings, spouse or partner, children, dependent relatives or other personal associates.

- 10.3 There are various conflicts of interest that can emerge in relation to Inventors receiving Commercialisation Revenue. These include potential conflict associated with:
- (a) the conduct and reporting of research;
  - (b) the Inventor's involvement in decision making on grants, sponsorship, recruitment, practices and resource allocation; and
  - (c) the Inventor's involvement in expert, advisory or regulatory capacities, both within and outside their course of employment at UTM or engagement in commercialisation activities through ICC
- 10.4 Any possible situation of conflict of interest has to be communicated to the related administrative office. The spin-off company will have to demonstrate the actions specifically adopted to avoid conflict of interest with a specific report sent to the Vice Chancellor and Registrar.

## SECTION 4 – GOVERNANCE

### Responsibilities

<b>Policy Owner</b>	Deputy Vice Chancellor (Research and Innovation)
<b>Policy Manager</b>	Innovation and Commercialisation Centre (ICC)