(3) Patent numbers, patent application serial numbers, or other basis on which the royalty is payable.

(4) Brief description, including any part or model numbers of each contract item or component on which the royalty is payable.

(5) Percentage or dollar rate of royalty per unit.

(6) Unit price of contract item.

(7) Number of units.

(8) Total dollar amount of royalties.

(b) *Copies of current licenses.* In addition, if specifically requested by the Contracting Officer before execution of the contract, the offeror shall furnish a copy of the current license agreement and an identification of applicable claims of specific patents.

(End of provision) (R 7-2003.42 1961 AUG)

Alternate I. (APR 1984) Substitute the following for the introductory portion of paragraph (a) of the basic clause:

When the response to this solicitation covers charges for special construction or special assembly that contain costs or charges for royalties totaling more than $250, the following information shall be included in the response relating to each separate item of royalty or license fee:

(R 7-1710.12)

52.227-7 Patents—Notice of Government Licensee.

As prescribed at 27.204-3(c), insert the following provision:

PATENTS—NOTICE OF GOVERNMENT LICENSEE (APR 1984)

The Government is obligated to pay a royalty applicable to the proposed acquisition because of a license agreement between the Government and the patent owner. The patent number is ..... [*Contracting Officer fill in*], and the royalty rate is ..... [*Contracting Officer fill in*]. If the offeror is the owner of, or a licensee under, the patent, indicate below:

( ) Owner ( ) Licensee

If an offeror does not indicate that it is the owner or a licensee of the patent, its offer will be evaluated by adding thereto an amount equal to the royalty.

(End of provision) (R 7-2003.15 1974 APR)

52.227-8 Reporting of Royalties (Foreign).

As prescribed at 27.204-4, insert the following clause:

REPORTING OF ROYALTIES (FOREIGN) (APR 1984)

(a) If this contract is in an amount that exceeds 50,000 United States dollars, the Contractor shall report in writing to the Contracting Officer while performing this contract the amount of royalties paid or to be paid by the Contractor directly to others in performing this contract. The Contractor shall also (1) furnish in writing any additional information relating to such royalties as may be requested by the Contracting Officer and (2) insert a provision similar to this clause in any subcontract at any tier that involves an amount in excess of the equivalent of 50,000 United States dollars.

(b) The term "royalties" as used in this clause refers to any costs or charges in the nature of royalties, license fees, patent or license amortization costs, or the like for the use of or for rights in patents or patent applications.

(End of clause) (R 7-104.8 1966 OCT)

52.227-9 Refund of Royalties.

As prescribed at 27.206-2, insert the following clause. In solicitations and contracts with an incentive fee arrangement, change "price" to "target cost and target profit" wherever it appears.

REFUND OF ROYALTIES (APR 1984)

(a) The contract price includes certain amounts for royalties payable by the Contractor or subcontractors or both, which amounts have been reported to the Contracting Officer.

(b) The term "royalties" as used in this clause refers to any costs or charges in the nature of royalties, license fees, patent or license amortization costs, or the like, for the use of or for rights in patents and patent applications in connection with performing this contract or any subcontract hereunder.

(c) The Contractor shall furnish to the Contracting Officer, before final payment under this contract, a statement of royalties paid or required to be paid in connection with performing this contract and subcontracts hereunder together with the reasons.

(d) The Contractor will be compensated for royalties reported under paragraph (c) above, only to the extent that such royalties were included in the contract price and are determined by the Contracting Officer to be properly chargeable to the Government and allocable to the contract. To the extent that any royalties that are included in the contract price are not in fact paid by the Contractor or are determined by the Contracting Officer not to be properly chargeable to the Government and allocable to the contract, the contract price shall be reduced. Repayment or credit to the Government shall be made as the Contracting Officer directs.

(e) If, at any time within 3 years after final payment under this contract, the Contractor for any reason is relieved in whole or in part from the payment of the royalties included in the final contract price as adjusted pursuant to paragraph (d) above, the Contractor shall promptly notify the Contracting Officer of that fact and shall reimburse the Government in a corresponding amount.

(f) The substance of this clause, including this paragraph (f), shall be included in any subcontract in which the amount of royalties reported during negotiation of the subcontract exceeds $250.

(End of clause) (V 7-104.8(b) 1968 FEB)

52.227-10 Filing of Patent Applications—Classified Subject Matter.

As prescribed at 27.207-2, insert the following clause:

FILING OF PATENT APPLICATIONS—CLASSIFIED SUBJECT MATTER (APR 1984)

(a) Before filing or causing to be filed a patent application in the United States disclosing any subject matter of this contract classified "Secret" or higher, the Contractor shall, citing the 30-day provision below, transmit the proposed application to the Contracting Officer. The Government shall determine whether, for reasons of national security, the application should be placed under an order of secrecy, sealed in accordance with the provision of 35 U.S.C. 181-188, or the issuance of a patent otherwise delayed under pertinent United States statutes or regulations. The Contractor shall observe any instructions of the Contracting Officer regarding the manner of delivery of the patent application to the United States Patent Office, but the Contractor shall not be denied the right to file the application. If the Contracting Officer shall not have given any such instructions within 30 days from the date of mailing or other transmittal of the proposed application, the Contractor may file the application.

(b) Before filing a patent application in the United States disclosing any subject matter of this contract classified "Confidential," the Contractor shall furnish to the Contracting Officer a copy of the application for Government determination whether, for reasons of national security, the application should be placed under an order of secrecy or the issuance of a patent should be otherwise delayed under pertinent United States statutes or regulations.

(c) Where the subject matter of this contract is classified for reasons of security, the Contractor shall not file, or cause to be filed, in any country other than in the United States as provided in paragraphs (a) and (b) of this clause, an application or registration for a patent containing any of the subject matter of this contract without first obtaining written approval of the Contracting Officer.

(d) When filing any patent application coming within the scope of this clause, the Contractor shall observe all applicable security regulations covering the transmission of classified subject matter and shall promptly furnish to the Contracting Officer the serial number, filing date, and name of the country of any such application. When transmitting the application to the United States Patent Office, the Contractor shall by separate letter identify by agency and number the contract or contracts that require security classification markings to be placed on the application.

(e) The Contractor agrees to include, and require the inclusion of, this clause in all subcontracts at any tier that cover or are likely to cover classified subject matter.

(End of clause) (R 7-104.6-1969 DEC)

52.227-11 Patent Rights—Retention by the Contractor (Short Form).

As prescribed at 27.303(a), insert the following clause:

PATENT RIGHTS—RETENTION BY THE CONTRACTOR (SHORT FORM) (APR 1984)

(a) *Definitions.*

"Invention" means any invention or discovery which is or may be patentable or otherwise protectable under Title 35 of the United States Code.

"Subject invention" means any invention of the Contractor conceived or first actually reduced to practice in the performance of work under this contract.

"Practical application" means to manufacture in the case of a composition or product, to practice in the case of a process or method, or to operate in the case of a machine or system; and, in each case, under such conditions as to establish that the invention is being utilized and that its benefits are, to the extent permitted by law or Government regulations, available to the public on reasonable terms.

"Made", when used in relation to any invention, means the conception or first actual reduction to practice of such invention.

"Small business firm" means a small domestic business concern as defined at Section 2 of Public Law 85-536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration. For the purpose of this clause, the size standards for small business concerns involved in Government procurement and subcontracting at 13 CFR 121.3-8 and 13 CFR 121.3-12, respectively, will be used.

"Nonprofit organization" means a domestic university or other institution of higher education or an organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1954 (26 U.S.C. 501(c)) and exempt from taxation under section 501(a) of the Internal Revenue Code (26 U.S.C. 501(a)) or any domestic nonprofit scientific or educational organization qualified under a state nonprofit organization statute.

(b) *Allocation of principal rights.* The Contractor may retain the entire right, title, and interest throughout the world to each subject invention subject to the provisions of this clause and 35 U.S.C. 203. With respect to any subject invention in which the Contractor retains title, the Federal Government shall have a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States the subject invention throughout the world.

(c) *Invention disclosure, election of title, and filing of patent applications by Contractor.*

(1) The Contractor shall disclose each subject invention to the Contracting Officer within 2 months after the inventor discloses it in writing to Contractor personnel responsible for patent matters. The disclosure to the Contracting Officer shall be in the form of a written report and shall identify the contract under which the invention was made and the inventor(s). It shall be sufficiently complete in technical detail to convey a clear understanding, to the extent known at the time of the disclosure, of the nature, purpose, operation, and physical, chemical, biological, or electrical characteristics of the invention. The disclosure shall also identify any publication, on sale, or public use of the invention and whether a manuscript describing the invention has been submitted for publication and, if so, whether it has been accepted for publication at the time of disclosure. In addition, after disclosure to the Contracting Officer, the Contractor shall promptly notify the Contracting Officer of the acceptance of any manuscript describing the invention for publication or of any on sale or public use planned by the Contractor.

(2) The Contractor shall elect in writing whether or not to retain title to any such invention by notifying the Federal agency within 12 months of disclosure; *provided*, that in any case where publication, on sale, or public use has initiated the 1-year statutory period wherein valid patent protection can still be obtained in the United States, the period of election of title may be shortened by the agency to a date that is no more than 60 days prior to the end of the statutory period.

(3) The Contractor shall file its initial patent application on an elected invention within 2 years after election or, if earlier, prior to the end of any statutory period wherein valid patent protection can be obtained in the United States after a publication, on sale, or public use. The Contractor will file patent applications in additional countries within either 10 months of the corresponding initial patent application or 6 months from the date permission is granted by the Commissioner of Patents and Trademarks to file foreign patent applications where such filing has been prohibited by a Secrecy Order.

(4) Requests for extension of the time for disclosure to the Contracting Officer, election, and filing may, at the discretion of the funding Federal agency, be granted.

(d) *Conditions when the Government may obtain title.* The Contractor shall convey to the Federal agency, upon written request, title to any subject invention—

(1) If the Contractor fails to disclose or elect the subject invention within the times specified in paragraph (c) above, or elects not to retain title (the agency may only request title within 60 days after learning of the Contractor's failure to report or elect within the specified times);

(2) In those countries in which the Contractor fails to file patent applications within the times specified in paragraph (c) above; *provided*, however, that if the Contractor has filed a patent application in a country after the times specified in paragraph (c) above, but prior to its receipt of the written request of the Federal agency, the Contractor shall continue to retain title in that country; or

(3) In any country in which the Contractor decides not to continue the prosecution of any application for, to pay the maintenance fees on, or defend in reexamination or opposition proceeding on, a patent on a subject invention.

(e) *Minimum rights to contractor.* (1) The Contractor shall retain a nonexclusive, royalty-free license throughout the world in each subject invention to which the Government obtains title except if the Contractor fails to disclose the subject invention within the times specified in paragraph (c) above. The Contractor's license extends to its domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and includes the right to grant sublicenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded. The license is transferable only with the approval of

the funding Federal agency except when transferred to the successor of that part of the Contractor's business to which the invention pertains.

(2) The Contractor's domestic license may be revoked or modified by the funding Federal agency to the extent necessary to achieve expeditious practical application of the subject invention pursuant to an application for an exclusive license submitted in accordance with applicable provisions in the Federal Property Management Regulations and agency licensing regulations (if any). This license shall not be revoked in that field of use or the geographical areas in which the Contractor has achieved practical application and continues to make the benefits of the invention reasonably accessible to the public. The license in any foreign country may be revoked or modified at the discretion of the funding Federal agency to the extent the Contractor, its licensees, or its domestic subsidiaries or affiliates have failed to achieve practical application in that foreign country.

(3) Before revocation or modification of the license, the funding Federal agency shall furnish the Contractor a written notice of its intention to revoke or modify the license, and the Contractor shall be allowed 30 days (or such other time as may be authorized by the funding Federal agency for good cause shown by the Contractor) after the notice to show cause why the license should not be revoked or modified. The Contractor has the right to appeal, in accordance with applicable agency licensing regulations (if any) and the Federal Property Management Regulations concerning the licensing of Government-owned inventions, any decision concerning the revocation or modification of its license.

(f) *Contractor action to protect the Government's interest.* (1) The Contractor agrees to execute or to have executed and promptly deliver to the Federal agency all instruments necessary to (i) establish or confirm the rights the Government has throughout the world in those subject inventions to which the Contractor elects to retain title, and (ii) convey title to the Federal agency when requested under paragraph (d) above, and to enable the Government to obtain patent protection throughout the world in that subject invention.

(2) The Contractor agrees to require, by written agreement, its employees, other than clerical and nontechnical employees, to disclose promptly in writing to personnel identified as responsible for the administration of patent matters and in a format suggested by the Contractor each subject invention made under contract in order that the Contractor can comply with the disclosure provisions of paragraph (c) above, and to execute all papers necessary to file patent applications on subject inventions and to establish the Government's rights in the subject inventions. This disclosure format should require, as a minimum, the information required by subparagraph (c)(1) above. The Contractor shall instruct such employees through employee agreements or other suitable educational programs on the importance of reporting inventions in sufficient time to permit the filing of patent applications prior to U.S. or foreign statutory bars.

(3) The Contractor shall notify the Federal agency of any decision not to continue the prosecution of a patent application, pay maintenance fees, or defend in a reexamination or opposition proceeding on a patent, in any country, not less than 30 days before the expiration of the response period required by the relevant patent office.

(4) The Contractor agrees to include, within the specification of any United States patent application and any patent issuing thereon covering a subject invention, the following statement: "This invention was made with Government support under (identify the contract) awarded by (identify the Federal agency). The Government has certain rights in this invention."

(g) *Subcontracts.* (1) The Contractor shall incude this clause (52.227-11 of the Federal Acquisition Regulation (FAR)), suitably modified to identify the parties, in all subcontracts, regardless of tier, for experimental, developmental, or research work to be performed by a small business firm or nonprofit organization. The subcontractor shall retain all rights provided for the Contractor in this clause, and the Contractor shall not, as part of the consideration for awarding the subcontract, obtain rights in the subcontractor's subject inventions.

(2) In the case of subcontracts, at any tier, when the prime award with the Federal agency was a contract (but not a grant or cooperative agreement), the agency, subcontractor, and the Contractor agree that the mutual obligations of the parties created by this clause constitute a contract between the subcontractor and the Federal agency with respect to those matters covered by this clause.

(h) *Reporting utilization of subject inventions.* The Contractor agrees to submit on request periodic reports no more frequently than annually on the utilization of a subject invention or on efforts at obtaining such utilization that are being made by the Contractor or its licensees or assignees. Such reports shall include information regarding the status of development, date of first commercial sale or use, gross royalties received by the Contractor, and such other data and information as the agency may reasonably specify. The Contractor also agrees to provide additional reports as may be requested by the agency in connection with any march-in proceedings undertaken by the agency in accordance with paragraph (j) of this clause. To the extent data or information supplied under this paragraph is considered by the Contractor, its licensee, or assignee to be privileged and confidential and is so marked, the agency agrees that, to the extent permitted by law, it shall not disclose such information to persons outside the Government.

(i) *Preference for United States industry.* Notwithstanding any other provision of this clause, the Contractor agrees that neither it nor any assignee will grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency upon a showing by the Contractor or its assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

(j) *March-in rights.* (1) The Contractor agrees that with respect to any subject invention in which it has acquired title, the Federal agency has the right in accordance with the procedures in FAR 27.304-1(g) to require the Contractor, an assignee, or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the Contractor, assignee, or exclusive licensee refuses such a request, the Federal agency has the right to grant such a license itself if the Federal agency determines that—

(i) Such action is necessary because the Contractor or assignee has not taken, or is not expected to take within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use;

(ii) Such action is necessary to alleviate health or safety needs which are not reasonably satisfied by the Contractor, assignee, or their licensees;

(iii) Such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the Contractor, assignee, or licensees; or

(iv) Such action is necessary because the agreement required by paragraph (i) of this clause has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of such agreement.

(k) *Special provisons for contracts with nonprofit organizations.* If the Contractor is a nonprofit organization, it agrees that—

(1) Rights to a subject invention in the United States may not be assigned without the approval of the Federal agency, except where such assignment is made to an organization which has as one of its primary functions the management of inventions and which is not, itself, engaged in or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided, that such assignee will be subject to the same provisions as the Contractor);

(2) The Contractor may not grant exclusive licenses under United States patents or patent applications in subject inventions to persons other than small business firms for a period in excess of the earlier of—

(i) Five years from first commercial sale or use of the invention; or

(ii) Eight years from the date of the exclusive license excepting that time before regulatory agencies necessary to obtain premarket clearance, unless on a case-by-case basis, the Federal agency approves a longer exclusive license. If exclusive field-of-use licenses are granted, commercial sale or use in one field of use will not be deemed commercial sale or use as to other fields of use, and a first commercial sale or use with respect to a product of the invention will not be deemed to end the exclusive period to different subsequent products covered by the invention;

(3) The Contractor shall share royalties collected on a subject invention with the inventor; and

(4) The balance of any royalties or income earned by the Contractor with respect to subject inventions, after payment of expenses (including payments to inventors) incidental to the administration of subject inventions, will be utilized for the support of scientific research or education.

(l) *Communications.* Reserved.

(End of clause) (R 7-302.23(h) 1981 JUL)

Alternate I (APR 1984). Add the following sentence at the end of paragraph (b) of the basic clause:

The license shall include the right of the Government to sublicense foreign governments and international organizations pursuant to the following treaties or international agreements: .....* or pursuant to any future treaties or agreements with foreign governments or international organizations.

[*Contracting Officer complete with the names of applicable existing treaties or international agreements. The above language is not intended to apply to treaties or agreements that are in effect on the date of the award but are not listed.]

(R 7-302.23(b) 1981 JUL)

52.227-12 Patent Rights—Retention by the Contractor (Long Form)

As prescribed at 27.303(b), insert the following clause:

PATENT RIGHTS—RETENTION BY THE CONTRACTOR (LONG FORM) (APR 1984)

(a) *Definitions.*

"Invention" means any invention or discovery which is or may be patentable or otherwise protectable under Title 35 of the United States Code.

"Subject invention" means any invention of the Contractor conceived or first actaully reduced to practice in the performance of work under this contract.

"Practical application" means to manufacture in the case of a composition or product, to practice in the case of a process or method, or to operate in the case of a machine or system; and, in each case, under such conditions as to establish that the invention is being utilized and that its benefits are, to the extent permitted by law or Government regulations, available to the public on reasonable terms.

"Made" when used in relation to any invention means the conception or first actual reduction to practice of such invention.

"Small business firm" means a domestic small business concern as defined at Section 2 of Public Law 85-536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration. For the purpose of this clause, the size standards for small business concerns involved in Government procurement and subcontracting at 13 CFR 121.3-8 and 13 CFR 121.3-12, respectively, will be used.

"Nonprofit organization" means a domestic university or other institution of higher education or an organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1954 (26 U.S.C. 501(c)) and exempt from taxation under section 501(a) of the Internal Revenue Code (26 U.S.C. 501(a)) or any domestic nonprofit scientific or educational organization qualified under a state nonprofit organization statute.

(b) *Allocation of principal rights.* The Contractor may elect to retain the entire right, title, and interest throughout the world to each subject invention subject to the provisions of this clause and 35 U.S.C. 203. With respect to any subject invention in which the Contractor elects to retain title, the Federal Government shall have a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States the subject invention throughout the world.

(c) *Invention disclosure, election of title, and filing of patent applications by Contractor.* (1) The Contractor shall disclose each subject invention to the Contracting Officer within 2 months after the inventor discloses it in writing to Contractor personnel responsible for patent matters or within 6 months after the Contractor becomes aware that a subject invention has been made, whichever is earlier. The disclosure to the Contracting Officer shall be in the form of a written report and shall identify the contract under which the invention was made and the inventor(s). It shall be sufficiently complete in technical detail to convey a clear understanding, to the extent known at the time of the disclosure, of the nature, purpose, operation, and physical, chemical, biological, or electrical characteristics of the invention. The disclosure shall also identify any publication, on sale, or public use of the invention and whether a manuscript describing the invention has been submitted for publication and, if so, whether it has been accepted for publication at the time of disclosure. In addition, after disclosure to the Contracting Officer, the Contractor shall promptly notify the Contracting Officer of the acceptance of any manuscript describing the invention for publication or of any on sale or public use planned by the Contractor.

(2) The Contractor shall elect in writing whether or not to retain title to any such invention by notifying the Federal agency at the time of disclosure or within 8 months of disclosure, as to those countries (including the United

NATIONAL COUNCIL OF UNIVERSITY RESEARCH ADMINISTRATORS

Introduction to

UNIVERSITY PATENT POLICIES AND PRACTICES

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Introduction to

UNIVERSTIY PATENT POLICIES AND PRACTICES

This paper is one unit in a series prepared by the sponsored program and patent offices at M.I.T. for use in their own professional development program and in the workshop on intellectual property at the 1984 NCURA annual meeting. The NCURA Committee on Professional Development is making it available to NCURA members who need a basic understanding of intellectual property in connection with the negotiation and administration of sponsored research agreements.

Copies of this and other units in the series may be obtained from NCURA Headquarters.

Other Guidance

This series is intended to provide university research administrators with only an introduction to the basic concepts of intellectual property. Those who require a more complete understanding of the subject will wish to study other materials cited herein or developed from time to time by such organizations as the Society of University Patent Administrators, the Licensing Executives Society, the COGR Committee on Patents, Copyrights and Rights in Data, and the National Association of College and University Attorneys.

User Feedback

This material is intended to be self-improving. Users are, therefore, invited to forward comments, suggestions and new materials for the next revision to:

Chairman, Committee on Professional Development
National Council of University Research Administrators
One Dupont Circle, N.W., Suite 618
Washington, D.C. 20036

Introduction to

UNIVERSITY PATENT POLICIES AND PRACTICES

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Appendices

1. SURVEY OF INSTITUTIONAL PATENT POLICIES AND ADMINISTRATION

1. INTRODUCTION

A number of professional organizations and groups have prepared materials relating to university patent policies and practices.

One useful source is "Patents at Colleges and Universities," Chapter 2:6:1 in the Administrative Service/Supplement published by the National Association of College and University Business Officers. First issued in March 1978, that chapter is currently being revised by the Committee on Patents, Copyrights and Rights in Data of the Council on Governmental Relations (COGR) and may be available for distribution this fall. In the meantime, much of the earlier version is still relevant as it relates to the elements of university policies and to patent administration and is quoted in Parts 2, 3, 4 and 6 of this paper, with permission of NACUBO, the copyright holder.

Similarly, "Survey of Institutional Patent Policies and Patent Administration," Chapter 2:6:2 of the same NACUBO publication, although issued also in March 1978, still provides a feeling for the wide variety in institutional patent policies, organization and administration. It is, therefore, included as Appendix 1 to this paper. We understand that the survey, conducted by the Society of University Patent Administrators, is currently being conducted again by SUPA. When available, hopefully this fall, it will provide a useful comparison with the 1978 results.

2. PATENT POLICY OBJECTIVES

In the paper entitled "Patents and Patent Law" in this NCURA series, we noted the Constitutional origin of the United States patent system, and in the paper entitled "Patent Rights under Government Contracts" we noted that the objectives of 35 U.S.C. Chaper 38 include the greater utilization, commercialization and public availability of inventions and increased collaboration between commercial firms and nonprofit organizations.

In pursuing these broad constitutional and legislative goals, colleges and universities frequently state their patent policy objectives in terms such as those set forth in NACUBO 2:6:1:

"1. To facilitate the transfer of technology and the utilization of findings of scientific research in order to provide maximum benefit to the public therefrom.

"2. To encourage research, scholarship, and a spirit of inquiry, thereby generating new knowledge.

"3. To provide machinery by which the significance of discoveries may be determined so that the commercially meritorious may be brought to the point of public utilization.

"4. To assist in an equitable disposition of interests in inventions among the inventor, the institution, and, when applicable, a sponsor.

"5. To provide individual incentives to inventors in the form of personal development, professional recognition,and financial compensation.

"6. To assist in the fulfillment of the terms of research grants and contracts.

"7. To safeguard the intellectual property represented by worthwhile inventions so that it may receive adequate patent protection.

"8. To facilitate the development of institutional patent agreements with the federal government."

With the passage of Public Law 96-517 and Chapter 38, which eliminates the need for institutional patent agreements, and with the growing interaction of universities and industrial organizations, the following objectives are more likely to be substituted for 8. above:

To comply with applicable federal law and regulations when the institution accepts federal funds for research.

To facilitate the development of research agreements with industrial sponsors.

3. ELEMENTS OF AN INSTITUTIONAL PATENT POLICY

In order to deal with discoveries that may have patentable significance, an institution should have a documented patent policy approved by its governing board, which defines the rights and obligations of the institution, the inventor, and, when applicable, research sponsors. Such a policy should contain the elements described below in the language of NACUBO 2:6:1.

ELEMENTS OF AN INSTITUTIONAL PATENT POLICY (NACUBO)

An institution seeking to establish or clarify its position regarding rights to and disposition of patentable inventons should develop a statement of patent policy. The statement should be broad enough to encompass all foreseeable patent situations, yet specific enough to allow administraton of the policy without frequent recourse to policy deliberations by an advisory committee.

The statement should briefly define the administrative structure for processing a patentable discovery and it should be directly and succinctly presented for clear understanding by lay persons in the field. The basic purpose of a patent policy is to define the rights and obligations of both the inventor and the institution as regards patent matters. To the extent that policies on consulting deal with patents, it is advisable to take them into account when formulating a patent policy.

Some institutional patent policies are incorporated into patent manuals that provide the reader with a brief orientation on patent matters. These publications can be helpful to neophyte inventors, but they should be prepared such that the institutional policy is clearly distinguishable from general instructional materials.

The following topics typically are found in institutional patent policies:

1. Preamble.
2. Applicability of the policy.
3. Establishment of the inventor commitment.
4. Rights of the parties.
5. Income-sharing arrangements.
6. Administrative arrangements.

Preamble

Although optional, this section is recommended. It should relate the basic purposes of the institution, its obligations to the public, and the scholarly aims of its faculty to the institution's interest in patents and ways in which patents serve these ends. The preamble should be kept short and to the point and establish a sound foundation for what is to follow.

Applicability of the Policy

This section defines research situations, sources of funds, all categories of persons who may invent (that is, faculty, staff, and student), activities in which such persons are engaged, and any combinations of these elements that would bring an inventor into the scope of, or exempt him or her from, provisions of the policy. Educational institutions do not usually lay claim to all inventive concepts generated by their employees or students. Rather, they limit themselves to those that arise as a result of employment relationships, or use by the researcher of institution resources, facilities or information.

Establishment of the Inventor Commitment

Once an institution determines the criteria for applying the policy to individuals, its personnel may be required to dispose of inventions as determined by the institution in one of several ways (listed in generally decreasing order of enforceability):

1. By a formal inventor agreement - a legally enforceable contractual commitment by a person to dispose of inventions as determined by the institution. The agreement becomes a standard form for the institution and should be drafted by an attorney to ensure its enforceability. It is best executed by the individual when he or she assumes employment. [Note: The patent clause at FAR 52.227-11, paragraph (f), "Contractor Action to Protect the Government Interest," requires a written agreement with employees. See Appendix 2 to Unit 2 in this NCURA series, "Patent Rights under Government Contracts," at Appendix 2, Federal Register page 12990.]

2. By a state statute which stipulates that inventions made in state institutions or by state employees be disposed of in a predetermined manner.

3. By a person giving his or her written assent to the stated patent policies of the institution, which policies pronounce an obligation by the individual with respect to inventions.

4. By a stated patent policy containing a patent commitment which is established by the governing board and brought to the attention of individuals, but to which such persons are not required to give their personal formal assent.

5. By the presence of a policy allowing the individual to dispose of inventions as determined by the institution or to retain title, at his or her option.

To allow an institution conducting sponsored research to fulfill its contractual obligations, it is essential to have for every person engaged in such research a valid, binding commitment to assign inventions.

Rights of the Parties

The policy should specify the rights that the institution, the inventor, and sometimes outside sponsors have in the invention. The institution usually receives a valid, binding assignment of title to the patent application together with a commitment by the inventor to cooperate in executing legal documents, reviewing patent prosecution papers, and in some cases, assisting in the development or marketing of the patent.

The inventor is entitled to receive from the institution a clear statement of his or her rights and share of income, and the institution's plans for bringing the invention into public use, including a contingency for reassignment to the inventor.

Sponsor's interests in these situations are usually represented by the institution based on the terms of the research agreement. Sponsor equities in patents must be scrupulously observed by the institution to permit it to perform and maintain its contractual obligations.

Income-Sharing Arrangement

Educational institutions that accept assignment of patents from inventors customarily share royalty income with them. The inventor's share generally ranges from 15% to 50% of net income, although there are a few policies that authorize income outside these limits. Some institutions use sliding scales of income-sharing between these limits with a greater percentage going to the inventor from the early receipts and the rate of sharing declining as the amount of royalties increases.

Most royalty-sharing arragements are predetermined, that is, the inventor cannot negotiate a higher rate of sharing than stipulated in the institutional policy. Predetermined sharing rates have the advantage that it is unnecessary to pass judgment on the relative worth of each invention. They are easier to administer and usually reward the inventor equitably because a valuable invention's true merit is reflectd in the greater total royalty revenues it generates, a portion of which inures to the benefit of the inventor. Where several individuals collaborate on a patentable invention the inventor's income share is divided among them in portions agreeable among themselves (including co-developer's who may not legally be inventors).

Administrative Arrangements Defined by Policy.

Patent policies usually specify that patent activities be placed under the administrative cognizance of an institutional patent committee appointed by the governing board, the president, or the faculty senate with a majority of the individuals on the committee representing scientific or technical disciplines. It is not uncommon for a dean, a vice president, or even the president to serve as chairman. This committee often has the responsibility for recommending or establilshing patent policy, adjudicating disputes, determining which inventions shall be the subject of patent applications, and overseeing the administration of patent matters within the institution.

4. ADMINISTRATION AND DEVELOPMENT OF INVENTIONS

In addition to a patent policy, an institution needs an administrative focal point to deal with inventions and guide them through the various steps involved in obtaining patent protection and developing their commercial potential. This is discussed below in the language of NACUBO 2:6:1.

ADMINISTRATION AND DEVELOPMENT OF INVENTIONS (NACUBO)

The provisions of the institutional patent policy usually determine the make-up of the administrative organization for patents. Typically found at the top of the structure is the patent committee described above (under "Administrative Arrangements Defined by Policy" in the preceding section). The size of the administrative organization below this committee will vary, depending in part on the amount of research resulting in patents at the institution and on whether or not the institution assumes its own patent development and marketing responsibilities or delegates them to another organization.

Serving the committee as its operating arm on a part- or full-time basis is the institution's "focal point" on patents, an administrator usually drawn from the office of research administration, the legal department, or the business office. This administrator need not be a patent or general attorney but must have a thorough understanding of institutional patent policyand enough background in patent procedures and patent law to handle procedural and policy problems arising in the management of patents.

In a large operation, the patent administrator and any assistants may be a part of the institution's administrative group and often will work full time on patent-related matters. In a modest institutional patent operation, this individual may come from one of the basic science departments and spend only a few hours per month on duties related to patents. Regardless of the size of the patent operations, there should be at least one person who understands the essential requirements for handling patentable information (which is also perishable). This should insure that valuable property rights are not lost to the institution by premature disclosure, publication, or public use prior to filing a patent application or to releasing the invention to an affiliated patent development group.

Development and Marketing

The development and marketing of inventions typically occurs in one of three ways: in-house, by an institution-affiliated foundation, or by a patent management organization.

In-house. In this case, the institution controls and performs the invention evaluation that precedes the decision to patent, the filing of patent applications, the demonstration of the invention's feasibility, and the licensing (not necessarily in this order). This option is initially more costly, because it requires an early outlay for patent application costs and the overhead costs of patent administrative services. However, if sizable royalties are earned, this approach may be the most advantageous overall.

Institution-affiliated foundation. This option can have the advantages of better availability of funds to carry on the development of inventions (a speculative activity) and greater freedom to employ commercial methods to develop and promote the uses of the inventions. Assuming equal capabilities to develop inventions, the presence of a foundation may result in less income for the institution because of the foundation's expectation of sharing income. Both the in-house management and the institution-affiliated foundation management of patents allow the inventor to work closely with the unit that is promoting the invention. The inventor's ready assistance and background often are crucial to getting the invention covered by a patent and "off the ground" as a commercial success.

A patent management organization. Patent development and marketing by one of these organizations has some distinct advantages: it permits an institution to be active in patents with a minimum financial outlay and it allows considerable legal, marketing, and patent management expertise to be tapped at no immediate cost to the institution. The chief disadvantage in this arrangement is, of course, that a substantial portion of any royalties earned is shared with the patent management group as compensation for services. Also, because of the large number of inventions handled by organizations of this type and the geographical limitations involved, it is possible that this arrangement will diminish the valuable personal input of the inventor in development and marketing efforts.

These three routes of invention development need not be mutually exclusive for an entire patent program. Many institutions utilize more than one, depending on the type of invention reported and the location of the various capabilities needed to develop it.

It is advisable for an institution involved with patents to have available the services of a patent attorney to answer questions, interpret the law, prepare, file and prosecute patent applications as the need arises, and serve as a representative during patent-related negotiations. Because of the diversity of complex patent subject matter generated in colleges and universities, it is desirable that the attorney be affiliated with a firm that includes individuals with a wide variety of technical backgrounds. The American Patent Law Association can be of assistance in making a selection.

5. INVENTIONS UNDER SPONSORED RESEARCH PROGRAMS

Issues relating to patents and publications are frequently the most difficult to resolve in negotiations with private research sponsors, particularly industrial organizations. For that reason, it is important that institutional policy is clear on the various options that are likely to arise, or that there is a mechanism for resolving the issues without undue delay. Because the issues are so varied, the question of institutional policy under research agreements with industrial and other private sponsors is beyond the scope of this paper and is dealt with in Unit 4 of this series, "Patent Clauses in Industrial Research Agreements."

Research agreements funded in whole or in part with Federal funds are subject to the provisions of Public Law 96-517, as implemented by OMB Circular A-124, and the Federal Acquisition Regulations (FAR) in Subpart 27.3 and the standard clause at FAR 52.227-11. The obligations of a university contractor under these regulations is discussed in detail in Unit 2 of this series, "Patent Rights under Government Contracts." However, since university patent policies and procedures must conform to certain requirements set forth in these regulations, it is appropriate to summarize them here since it is important to be familiar with these in establishing institutional patent policies and administrative practices.

Obligations under Federal Sponsorship

The obligations of university contractors set forth in the standard clause at FAR 52.227-11 (which is reproduced in Appendix 2 of Unit 2 of this series) include the following.

FAR 52.227-11

(c) Invention disclosure, election of title, and filing of patent applications by the contractor

- (1) Disclose subject inventions and any publications, sale or use that may create a patent bar
- (2) Elect whether or not to retain title
- (3) File patent application on a timely basis

(d) Conditions when the Government may obtain title.

Convey title to the agency when required and requested

(f) Contractor's action to protect the Government's interest

- (1) Execute instruments to confirm government rights and convey title per (d) above

(2) Identify personnel responsible for the administration of patent matters, require employees by written agreement to promptly disclose inventions, and instruct employees on the importance of disclosing inventions
(3) Notify agency of decision not to prosecute, maintain or defend a patent application
(4) Include statement acknowledging Government support in patent applications and patents issuing

(g) Subcontracts.

Include the appropriate patent rights clause in subcontracts.

(i) Preference for United States industry

Do not without agency approval, grant exclusive licenses unless the licensee agrees that products embodying the invention will be manufactured substantially in the United States.

(k) Special provisions for contracts with nonprofit organizations

(1) Limits right to assign
(2) Limits the term of exclusive licenses to other than small business firms
(3) Requires sharing or royalties with inventors
(4) Requiires that the balance of royalties after after certain expenses be utilized for the support of scientific research and education

6. INVENTION DISCLOSURES

Of critical importance to the administration of a patent program, and to adhering to obligations to research sponsors, is the prompt and proper disclosure of inventions. The importance of the disclosure is set forth in the following section in the language of NACUBO 2:6:1.

Invention Disclosures (NACUBO)

An invention disclosure in this context is a complete description of an invention written by the inventor to report an invention to the institution or a sponsor. Along with the original laboratory notebooks and records it is one of the most important documents in an institutional patent program. The invention disclosure is based on the information contained in laboratory notebooks. (See Appendix B, "Guidelines for Keeping Laboratory Records.")

It is customary for the office responsible for patents to provide a disclosure form or set of guidelines for preparing disclosures. Whichever is used, completeness is more important than format. The invention disclosure should be couched in good technical language rather than in legalistic style. If the invention becomes the basis for a patent aplication, a patent attorney can put it in language that is acceptable to the Patent Office.

The invention disclosure is valuable in several ways. Writing the disclosure helps the inventor to mentally clarify the inventive concept and, if the concept has not yet been reduced to practice, to better organize his or her thoughts concerning it. A good disclosure is essential for the technical evaluation of the invention, for an accurate assessment of its commercial feasibility, and for a determination of its patentability. In the latter case, the disclosure is often used as the descriptive information supplied to the Patent Office for making the novelty search. Its clarity and completeness strongly affect the quality of the patent search.

The invention disclosure may later be used as the basis for the preparation of the patent application. Well-prepared disclosures readily transmit the patentable idea to the patent attorney and assist in preparing an application that precisely describes the invention. The less attorney time required for this, the lower the cost to the institution. Finally, when witnessed laboratory records bearing earlier dates are not available, the invention disclosure can serve as proof of the date of conception, or at least of the earliest recording of the invention. It thus may be an important document in any controversy over which of two parties first made the invention.

Disclosures of inventions are required under the terms of federal research agreements and must be sufficiently complete and of a quality that will allow the supporting agency to evaluate and prepare a patent application in the event that the contract terms entitle it to do so. A complete and accurate invention disclosure is extremely important to patent management organizations because they are usually not located in close proximity to the inventor. These organizations must, therefore, rely heavily on the inventor's written description to assess the worth of the invention and to determine any interest in accepting it and in carrying it forward to patenting and commercial development. (A typical set of instructions for preparing invention disclosures appears as Appendix D.)

Survey of Institutional Patent Policies and Patent Administration

THE FOLLOWING DOCUMENT is based on a survey taken by the Society of University Patent Administrators in 1977. Subjects of the survey were the patent policies of universities with employees who are members of the Society. As far as can be determined, this is the first such survey since the publication in 1962 by the National Academy of Sciences—National Research Council of *University Research and Patent Policies, Practices and Procedures.* The latter document is primarily a compilation of patent policies exactly as furnished by the institutions surveyed.

The 1977 survey was undertaken because of a growing interest in patents and the perception of a need for an up-to-date survey of patent policies which would be composed of carefully prepared questions and would provide analysis of the replies. The questionnaire used in this survey is based on one that was tested at six institutions and further refined before distribution. (A copy of the questionnaire is included as Appendix A; responding institutions are listed in Appendix B.)

Forty-eight major research institutions provided information for this document. The answers to the survey questions have been tabulated and the implications of these results are discussed. It will be noted that there is a wide variety of answers to certain questions, which is a result of the differences in institutional organization and practices. In some cases there are multiple answers to one question by the same institution. In questions involving titles, where many variations are possible, the answers have been grouped by titles that are considered to be equivalent. Where only one institution has responded in a particular way to a particular question, such answers generally have been grouped as "other."

Although a number of institutions that were surveyed did not reply (a few with large patent portfolios), the information provided and analyzed should be largely representative of the general community of research universities.

1. Name of institution (see Appendix B).

2. Who authorized the institution's patent policy?

(a) Trustees, regents, or equivalent	37
(b) President, chancellor, or equivalent	5
(c) Faculty	2
(d) Other (such as state law or state agency)	4
	48

Where an institution checked more than one answer, this has been interpreted to mean that more than one body acted on the policy. In such cases, only the highest-ranked body was counted.

3. What office administers the patent policy?

Research administration office	18
Vice president or dean of research	10
Research foundation	8

Vice president for administration	3
Patent committee	3
Patent office	3
Other	3
	48

4. To whom is the office in (3) above responsible?

Vice president, vice chancellor, provost, or similar officer	24
President	12
Trustees	3
Director of foundation	3
Dean	3
Other	3
	48

5. Is there a patent committee?

Yes	34
No	14
	48

6. What is the composition of the patent committee?

Faculty and administration	23
Faculty only	7
Faculty, administration, and students	4
	34

Note that four institutions have patent committees that include students (presumably graduate students).

7. What are the functions of the patent committee?

Formulate patent policy	22
Determine royalty distributions	16
Make decisions on patenting inventions	26
Negotiate license arrangements	2
Other	5
	71

This question received multiple answers and all functions may not have been described. For example, some patent committees may be involved in arbitration (see 16 below) but this item was mentioned only once.

8. Does the patent policy cover:

(a) Faculty	47
(b) Professional staff	47
(c) Nonprofessional staff	43
(d) Graduate students employed by institution	46
(e) Graduate students not employed by institution	25
(f) Undergraduates employed by institution	42
(g) Undergraduates not employed by institution	21

Of the institutions responding, one had not yet adopted a patent policy, which accounts for the maximum number of 47 rather than 48. The significant decrease in coverage for both graduate and undergraduate students not employed by the institution probably relates to the fact that employment (and thus the payment of salary) is used in many cases as the basis for a university claim to equity in inventions, rather than the provisions of funds or facilities (see 15 below).

9. By which of the following does the institution control the disposition of patent rights (with the understanding that a sponsor may subsequently take control)?

(a) Taking title to inventions	36
(b) Directing or approving disposition by inventors	11
(c) The voluntary referral of an invention to the institution if there is no sponsor requirement	11
	58

Eight institutions checked *both* (a) and (b), which may mean that the policy is covered by (b), but that in some cases the inventor is required or elects to give title to the institution as provided for under (a). However, two of these eight institutions also checked (c), possibly an attempt to cover both inventions in which the institution has an equity and those in which it does not (see 15 below). The remaining nine institutions in category (c) constitute a large number in which the institution exercises no control at all (unless there is a sponsor requirement).

A policy as in (b) of directing or approving disposition by inventors provides much greater flexibility than that listed in (a). Under (b), title can be directed to the institution, to a patent management firm, or to the government or another sponsor without the necessity of title first going to the institution.

10. Does the institution enter into agreements with possible inventors (see 8 above) to establish patent rights? Complete only one response:

(a) For all possible inventors	16
(b) For all possible inventors who *participate* in sponsored research	8
(c) For all possible inventors who are employed	14
(d) For all possible inventors who are employed only in sponsored research	6
(e) No agreements with anyone	4
	48

The twenty-four institutions responding affirmatively to (a) or (b) are well covered insofar as the requirements of sponsored research, particularly government-sponsored research, are concerned. Institutions covered by (c) and (d) are not fully meeting the obligations of sponsored research, since these obligations extend to all persons who participate in or perform part of the work, not only those who are employed by and paid from a grant or contract. The four institutions responding affirmatively to (e) are not in compliance unless the terms of the applicable patent policy can be held to be as legally binding as an individual agreement.

For inventions that result from research which is not sponsored, the thirty institutions designating (a) or (c) are all fairly well covered, except that (c) would not apply, for example, to a graduate student who makes an invention but is not employed by the institution. Among the other seventeen respondents there is a gap that is partly explained by the eleven who responded to 9(c) above (in which referral of an invention to the university is entirely voluntary unless there are sponsored research requirements).

11. Does the institution use, or have its administrators considered using a single agreement to cover both patents and copyrights?

Yes	13
No	35
	48

12. Are one or more patent management firms used? If so, give names.

Yes	40
No	8
	48

Research Corporation was predominant, followed at a distance by Battelle, University Patents, Inc., and others.

13. If a decision is made in the institution (not by a patent management firm) to make a patent application, who makes the decision?

Patent committee	11
Research administration office	9
Associate provost, vice president, or dean for research	9
Research foundation	4
President	3
Vice president for business or finance	2
Patent office	2
Other (such as state, governing board, inventor)	5
No answer	3
	48

14. Does the institution's patent policy require reporting by those covered by the policy (see 8 above) of:

(a) All inventions, even if there is no institutional or sponsor equity	19
(b) All inventions on which patents are applied for, even though there is no institutional or sponsor equity	5
(c) All inventions where there is some institutional or sponsor equity	19
(d) Only those inventions that must be reported to a sponsor	5
	48

Institutions that are diligent in pursuing technology transfers and public use of their inventions probably fall into group (a).

15. What is the basis of the institution's claim for institutional equity in an invention? That is, what is the legal consideration for the institution to obtain rights?

(a) Payment of salary or stipend	29
(b) Provision of funds or facilities	34
(c) Other (such as patent services furnished to inventor or state legal requirements)	7
	70

Twenty-two institutions checked more than one of the answers. Twenty-one of these responded to both (a) and (b). There is a question as to whether the citation of salary or stipend as a consideration for patent rights is reasonable or even legally enforceable.[1] Faculty are not employed to develop patentable inventions, their salaries and promotions are not based on the value of inventions they may make, and where they have tenure, according to Blackwell, "the agreement by the college to continue to employ them would not, so far as they are concerned, constitute consideration."[2]

The provision of funds and facilities for research does not have the handicap of (a) above and can be used for both employed and non-employed inventors (such as students). Further, the institution would have no equity (unless the inventor would choose to handle it through the institution) in an invention whose conception or reduction to practice does not involve institutional funds or facilities.

16. Is arbitration or some other form of decision-making provided for in the event of a disagreement as to the institution's equity or rights in an invention?

Yes	27
No	21
	48

[1] See Blackwell, T. E. *College Law*. (Washington, D.C.: American Council on Education, 1961.) pp. 175-180, "The Administration of Faculty Patents."
[2] Ibid, p. 179.

The absence of arbitration provisions in twenty-one institutions is somewhat surprising.

17. Does the institution ever relinquish to the inventor its rights to an invention?

Yes	40
No	8
	48

If so, under what circumstances?

Miscellaneous answers included cases in which sponsor and institution chose not to patent.

18. Does the institution ever handle for inventors those inventions in which it has no equity?

Yes	22
No	26
	48

If "yes," what are the conditions?

Miscellaneous answers included paying more than normal royalties to the inventor.

19. If the institution retains patent rights for inventions, what share of royalties is paid to the inventor(s)? Net or gross?

Maximum possible	1
Net 80% scaled down to 25% as total royalty increases	2
Gross 50% plus first $3,000, then 25% to $13,000, then 15%	2
Net 60% 0-$25,000; 50% $25,000-$50,000; 40% $50,000-$75,000; 30% above $75,000	1
Net 50% plus first $1,000 of institution's net	1
Gross 15% plus 50% of additional net	1
Net 50%	6
Net 50% or gross 25%	1
Net 50% maximum, 20% minimum by arbitration	1
Net 50% after first $5,000 net	1
Net 50% until expenses, then 20% of gross	1
Net 42.5%	1
Net 40%	1

Net 40% 0-$50,000; 30% $50,000-$100,000; 15% above $100,000	2
Gross 15% until costs recovered, then 40% net	1
Net 33%	1
Gross 28%	1
Net 25%	5
Gross 20%	1
Gross 15%	9
Net 15%	4
Case by case	3
No answer	1
	48

Although the difference between gross and net royalties varies widely from patent to patent, the answers to this question are listed such that the amounts to inventors decrease in order of total royalties from top to bottom. The median answer is 33% of net royalty income for the inventor. Royalty shares to inventors appear to have increased significantly since the 1962 survey referred to at the beginning of this document. The method of giving the inventor a large initial share and decreasing on a sliding scale (indicated in five of the answers) has the merit of providing a climate of greater cooperation among researchers by reducing the potential rewards to the one researcher who is named the legal inventor.

20. What disposition is made of the institution's share of royalties?

Research	26
General institutional funds	10
Research and patent costs	6
Education and research	3
Patent costs	2
Other	1
	48

21. What steps, if any, are taken to insure that all inventions are properly disclosed?

None (although the patent policy may so require)	23
Regulations	11
Periodic reminders	8
Periodic meetings	5
Special educational program	4
Annual invention statement	3
Other	2
	56

Eight institutions used more than one method of obtaining invention disclosures. It is likely that a greater number used more than one method but did not indicate this.

22. Does the institution have any institutional patent agreements (IPAs) with federal agencies? If so, list the agencies.

Both HEW and NSF	10
HEW only	11
NSF only	3
	24

Note that more than half of the responding institutions have no IPAs.

23. In negotiating sponsored research agreements with industry, does the institution accept requirements for sponsor to obtain:

(a) Title to all inventions	27
(b) Exclusive license	26
(c) Exclusive license for limited period	26
(d) Exclusive license for limited period with march-in rights for lack of diligence	28
(e) Nonexclusive license	31
(f) Other	7
	145

Many institutions indicated more than one answer; three questions were the average number of these. The number of (a) and (b) answers could cause concern about the diligence of institutional endeavors for protection of the public interest. Where title to inventions is given to a sponsor as in (a), the inventor's normal share of royalties under a patent policy presumably disappears.

24. Under the arrangements described in (23) above, is there any provision for royalties or other reimbursement to the institution, such as increased indirect costs?

Royalties	21
Increased indirect costs	17

None	10
	48

As in 23(a) above, where the compensation to the institution for patent rights consists of increased indirect costs or is nonexistent, the inventor's share of royalties presumably disappears.

25. For inventions owned or controlled by the institution and not assigned to a patent management organization, which of the categories of (23) above best describe the institution's policies for assignment or licensing?

(a) Title to all inventions	3
(b) Exclusive license	11
(c) Exclusive license for limited period	8
(d) Exclusive license for limited period with march-in rights for lack of diligence	19
(e) Nonexclusive license	13
(f) Other	5
	59

Only eleven institutions indicated more than one answer. Note that many more of the responding institutions indicated willingness to give greater rights to a research sponsor (see 23 above) than to a licensee or assignee.

26. How many patents were applied for on the institution's inventions during the last ten years by:

(a) Inventor	165 (known)
(b) Institution	889
(c) Patent management organization	554
(d) Industrial sponsor	119
(e) Government sponsor	60 (known)
	1787

Although the number for any one institution varies from 1 to 150 for the total of categories (a) through (e) combined, the average is 37 per institution, or about 4 per year per institution. While this may not appear to be a large number, over a ten-year period the total of 1787 for all institutions is significant.

27. How many of the patents listed in (26) above were issued? 937

28. How many of the patents that were issued (see 27 above) were licensed? 469

These answers indicate a high ratio—fifty percent—of patents licensed to patents issued.

Appendix A: University Patent Policies and Patent Administration Questionnaire

1. Name of Institution

2. Who authorized your patent policy?
   a. Trustees or regents
   b. Faculty
   c. President or chancellor
   d. Other (please specify)

3. What office administers the patent policy?

4. To whom is that office responsible?

5. Is there a patent committee?

6. What is its composition?

7. What are the functions of the patent committee?

8. Does the patent policy cover:
   a. Faculty
   b. Professional staff
   c. Nonprofessional staff
   d. Graduate students employed by university
   e. Graduate students not employed by university
   f. Undergraduates employed by university
   g. Undergraduates not employed by university

9. Does your institution control the disposition of patent rights by either (it is understood that a sponsor may subsequently take control):

Taking title to inventions

Or directing or approving disposition by inventors

Or is the referral of an invention to the university voluntary if there is no sponsor requirement

10. Do you enter into agreements with possible inventors (see 8 above) to establish patent rights (complete only one response)
    a. For all possible inventors from 8 above (specify a, b, c, d . . . etc)
    b. For all possible inventors from 8 who *participate* in sponsored research (specify a, b, c . . . etc)
    c. For all possible inventors from 8 who are *employed* (specify a, b, c . . . etc)
    d. For all possible inventors from 8 who are employed *just* in sponsored research (specify a, b, c . . . etc)

11. Do you or have you considered using a single agreement to cover both patents and copyrights?

12. Is one or more patent management firm utilized and if so give names?

13. If the institution (not a patent management firm) decided to make a patent application, what office makes this decision?

14. Does your patent policy require reporting by those covered by the policy (see 8) of:
    a. *All* inventions made even though there is no institutional or sponsor equity, or
    b. All inventions made on which patents are applied for, even though there is no institutional or sponsor equity, or
    c. All inventions made where there is some institutional or sponsor equity, or
    d. Only those inventions made which must be reported to a sponsor

15. What is the basis of the institution's claim for institutional equity in an invention, i.e. what is the legal consideration for the university to obtain rights?
    a. Payment of salary or stipend
    b. Provision of funds or facilities
    c. Other

16. Is arbitration or some other form of decision-making provided for in the event of a disagreement as to the institution's equity or rights in an invention?

17. Does the institution ever relinquish its rights to an invention back to the inventor? If yes, under what circumstances?

18. Does the institution handle inventions for inventors in which it has no equity? If yes, what are the conditions?

19. If the institution retains patent rights for inventions, what share of royalties is paid to inventor(s)? Net or gross?

20. What disposition is made of institution's share of royalties?

21. What steps if any are taken to assure that all inventions are properly disclosed?

22. Does your institution have any institutional patent agreements (IPAs) with federal agencies? If so, list agencies

23. In negotiating sponsored research agreements with industry, do you accept requirements for sponsor to obtain:
    a. Title to all inventions
    b. Exclusive license
    c. Exclusive license for limited period
    d. Exclusive license for limited period with march-in rights for lack of diligence
    e. Nonexclusive license
    f. Other

24. Under the arrangements described in 23 above, is there any provision for royalties or other reimbursement to the university, such as increased indirect costs?

25. For inventions owned or controlled by the institution and not assigned to a patent management organization, which of the categories of 23 above best describe the institution's policies for assignment or licensing?

26. How many patents were applied for on your institution's inventions during the last ten years by:
    Inventor
    Institution
    Patent Management Organization
    Industrial Sponsor
    Government Sponsor

27. How many of the above patents issued?

28. How many of the patents in 27 were licensed?

Appendix B: Institutions Responding to Patent Survey

University of Akron
Ball State University
Boston College
Brown University
University of California System
California Institute of Technology
University of Cincinnati
Colorado State University Research Foundation
Concordia University
University of Connecticut
Cornell University
University of Dayton
University of Delaware
University of Denver
University of Georgia
University of Guelph
University of Houston
University of Illinois at Urbana-Champaign
University of Iowa
University of Kansas
Kansas State University
Kent State University
University of Kentucky
Universite Laval
University of Maryland
University of Michigan
University of Minnesota
University of Mississippi
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Administrative Service supplements document principles, policies, practices and procedures in the field of college and university management. They provide additional information about subject fields or offer specific guidance in regard to generally accepted principles and policies. Supplements are the result of a comprehensive review process modeled after that used for the basic chapters of the Service.

NATIONAL COUNCIL OF UNIVERSITY RESEARCH ADMINISTRATORS

Introduction to

THE LAW OF COPYRIGHTS

Workshop Materials - NCURA Intellectual Property Series - 1984

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Introduction to

THE LAW OF COPYRIGHTS

This paper is one unit in a series prepared by the sponsored program and patent offices at M.I.T. for use in their own professional development program and in the workshop on intellectual property at the 1984 NCURA annual meeting. The NCURA Committee on Professional Development is making it available to NCURA members who need a basic understanding of intellectual property in connection with the negotiation and administration of sponsored research agreements.

Copies of this and other units in the series may be obtained from NCURA Headquarters.

Other Guidance

This series is intended to provide university research administrators with only an introduction to the basic concepts of intellectual property. Those who require a more complete understanding of the subject will wish to study other materials cited herein or developed from time to time by such organizations as the Society of University Patent Administrators, the Licensing Executives Society, the COGR Committee on Patents, Copyrights and Rights in Data, and the National Association of College and University Attorneys.

User Feedback

This material is intended to be self-improving. Users are, therefore, invited to forward comments, suggestions and new materials for the next revision to:

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Introduction to

THE LAW OF COPYRIGHTS

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1. INTRODUCTION

On October 19, 1976, the copyright law of the United States was revised with the passage of Public Law 94-553, the first revision of the law since 1911. This public law significantly changes many of the substantive concepts of the copyright law in a manner which has direct application to the university community.

Copyright law is a complex topic. However, the university research administrator should, at minimum, have a general understanding of the subject matter of copyrights, the exclusive rights in copyrighted works, and the limitations on those exclusive rights which are reflected in the "fair use" doctrine. These topics are addressed in the materials which follow and should be read in the order listed.

1. Copyright Basics, Circular R1, issued by the U.S. Copyright Office and reproduced hereafter provides an introduction to the law of copyrights and to the Copyright Office, its procedures and forms.

2. Highlights of the New Copyright Law, Circular R99, issued by the U.S. Copyright Office and reproduced hereafter provides a useful comparison of the principal features of the new Act and the pre-existing law.

3. Copyright Act of 1976 (P.L. 94-553). The sections of the Act most pertinent to this course are reproduced hereafter for reference.

4. General Guide to the Copyright Act of 1976, by Marybeth Peters, Senior Attorney-Adviser to the U.S. Copyright Office is an easy to read overview of the Act. It was prepared as instructional material for training the copyright office staff. Although not an official summary of the law, it is a useful and practical guide for the layperson who wishes to gain a basic understanding of its provisions. The chapters most pertinent to this NCURA material are underlined in the Table of Contents reproduced hereafter.

5. Publications of the Copyright Office, Circular R2, lists publications available from the U.S. Copyright Office and other sources, with instructions on how to order them. Reading the list of publications, including the various Congressional reports, gives one a feel for the breadth and depth of copyright law and its administration.

THE COPYRIGHT LAW AND ITS EFFECT ON UNIVERSITY COPYRIGHT POLICIES

Of the many changes introduced by the new copyright law three have the most visible and direct effect on the duties and responsibilities of research administrators within the university:

1. The doctrine of work made for hire;

2. The treatment of computer software within the new law; and

3. The definition of "fair use."

1. Work made for hire

Secton 201 (a) of the Act states that copyright vests initially in the "author" of the work. In the case of a "work made for hire," the employer or other person for whom the work was prepared is considered the author and, unless expressly agreed otherwise by the parties in writing, is the copyright owner.

The Act defines "work made for hire" as:

"1. A work prepared by an employee within the scope of his or her own employment;"

"2. A work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire..." (See Section 101.)

Under the new law, therefore, any work prepared by an employee of the university within the scope of his or her employment is a work made for hire and is owned by the university. This is clearest with respect to data generated by faculty, staff or student employees in the performance of a sponsored research program or while utilizing facilities or fundings administered by the university, provided such use is not de minimus. On the other hand, it seems equally clear that a member of the university community who generates data without utilizing administered equipment, funding or facilities and does not participate in a sponsored research program, retains both the authorship and ownership of such data.

There are, however, a large number of individuals associated with most universities (unpaid visiting scientists, fellows, students who may or may not receive some form of funding through the university while doing thesis research, etc.) who, depending on the facts of the situation, may or may not under the law be viewed as employees performing work within the

scope of their employment. Many of these uncertainties can only be resolved by ensuring that there is a written agreement between the parties under which the data generated constitutes a work made for hire if the work performed falls within the definition of "work MADE? for hire" in Section 101 of the Copyright Law, or which provides for the transfer of copyright from the non-employee to the institution if the work is not a statutory "work MADE??? for hire.". Universities approach this issue differently, as will be seen from a comparison of sample policies.

2. Copyrighting computer software

While the original version of the 1976 Copyright Act made no reference to computer software as such, Section 101 of Title 17 of the U.S. Code was specifically amended in 1980 to include a definition of "computer program." In addition, Section 117, which addressed whether a copyright owner had greater or lesser rights with respect to an automatic storing, processing or retrieval system than to other works protected under Title 17, was amended by deleting reference to such automatic systems and providing instead for a limitation on the exclusive rights of the copyright owner of a computer program.

It is, therefore, clear that the statute is intended to extend copyright protection to computer software and, in fact, the various instructions issued by the Copyright Office for registration of literary works, specifically include instructions for the registration of computer programs.

3. Fair use

Section 107 of the Act recognizes and allows the "fair use" of a copyrighted work for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research. In determining whether the use of a particular work in a particular case is fair use, the statute lists the following factors to be considered:

1. The purpose and character of the use, including whether such use is of a commmercial nature or is for nonprofit educational purposes;

2. The nature of the copyrighted work;

3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

4. The effect of the use upon the potential market for or value of the copyrighted work.

As a corollary to the doctrine of fair use, there is also a limited reproduction right allowed libraries and archives under Section 108. Research administrators who are responsible for approving extracts from copyrighted works or whose responsibility extends to the library system in any way should become familiar with these sections of the statute.

Circular

R1

Copyright Basics

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Copyright Basics

On January 1, 1978, the Copyright Act of 1976 (title 17 of the United States Code) came into effect. This general revision of the copyright law of the United States, the first such revision since 1909, makes important changes in our copyright system and supersedes the previous Federal copyright statute. For highlights of the overall changes in the copyright law, request Circular R99 from the Copyright Office.

WHAT COPYRIGHT IS

Copyright is a form of protection provided by the laws of the United States (title 17, U.S. Code) to the authors of "original works of authorship" including literary, dramatic, musical, artistic, and certain other intellectual works. This protection is available to both published and unpublished works. Section 106 of the Copyright Act generally gives the owner of copyright the exclusive right to do and to authorize others to do the following:

- *To reproduce* the copyrighted work in copies or phonorecords;
- *To prepare derivative works* based upon the copyrighted work;
- *To distribute copies or phonorecords* of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- *To perform the copyrighted work publicly,* in the case of literary, musical, dramatic, and choreographic works, pantomines, and motion pictures and other audiovisual works, and
- *To display the copyrighted work publicly,* in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work.

It is illegal for anyone to violate any of the rights provided to the owner of copyright by the Act. These rights, however, are not unlimited in scope. Sections 107 through 118 of the Copyright Act establish limitations on these rights. In some cases, these limitations are specified exemptions from copyright liability. One major limitation is the doctrine of "fair use," which is now given a statutory basis by section 107 of the Act. In other instances, the limitation takes the form of a "compulsory license" under which certain limited uses of copyrighted works are permitted upon payment of specified royalties and compliance with statutory conditions. For further information about the limitations of any of these rights, consult the Copyright Act or write to the Copyright Office.

WHO CAN CLAIM COPYRIGHT

Copyright protection subsists from the time the work is created in fixed form; that is, it is an incident of the process of authorship. The copyright in the work of authorship ***immediately*** becomes the property of the author who created it. Only the author or those deriving their rights through the author can rightfully claim copyright.

In the case of works made for hire, the employer and not the employee is presumptively considered the author. Section 101 of the copyright statute defines a "work made for hire" as:

> (1) a work prepared by an employee within the scope of his or her employment; or
>
> (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. . . .

The authors of a joint work are co-owners of the copyright in the work, unless there is an agreement to the contrary.

Copyright in each separate contribution to a periodical or other collective work is distinct from copyright in the collective work as a whole and vests initially with the author of the contribution.

Two General Principles

- Mere ownership of a book, manuscript, painting, or any other copy or phonorecord does not give the possessor the copyright. The law provides that transfer of ownership of any material object that embodies a protected work does not of itself convey any rights in the copyright.

- Minors may claim copyright, but state laws may regulate the business dealings involving copyrights owned by minors. For information on relevant state laws, it would be well to consult an attorney.

COPYRIGHT AND NATIONAL ORIGIN OF THE WORK

Copyright protection is available for all unpublished works, regardless of the nationality or domicile of the author.

Published works are eligible for copyright protection in the United States if any one of the following conditions is met:

- On the date of first publication, one or more of the authors is a national or domiciliary of the United States or is a national, domiciliary, or sovereign authority of a foreign nation that is a party to a copyright treaty to which the United States is also a party, or is a stateless person wherever that person may be domiciled; or
- The work is first published in the United States or in a foreign nation that, on the date of first publication, is a party to the Universal Copyright Convention; or the work comes within the scope of a Presidential proclamation.

THE MANUFACTURING CLAUSE

The manufacturing clause in the copyright law, section 601 of the 1976 Copyright Act (title 17, U.S. Code), was extended by Congress in July 1982 until July 1, 1986; without this congressional action, the manufacturing provisions in the copyright law would have expired on July 1, 1982.

The manufacturing clause applies only to published works, primarily textual, written by United States authors or domiciliaries. The provisions require that copies of a work "consisting preponderantly of nondramatic literary material that is in the English language" be manufactured in the United States or Canada in order to be lawfully imported and publicly distributed in the United States. There are several exceptions to the provisions; they relate to three general categories: the nature of the work, the processes used to manufacture the copies, or certain facts existing at the time of importation or distribution of copies in the United States. One of the exceptions of the third type provides for the issuance of an Import Statement which will permit the importation of up to 2,000 copies of a foreign edition when certain conditions are met.

For further information on the issuance of import statements (Form IS), please write to:

Information and Publications Section, LM-455
Copyright Office
Library of Congress
Washington, D.C. 20559

WHAT WORKS ARE PROTECTED

Copyright protection exists for "original works of authorship" when they become fixed in a tangible form of expression. The fixation does not need to be directly perceptible, so long as it may be communicated with the aid of a machine or device. Copyrightable works include the following categories:

(1) literary works;
(2) musical works, including any accompanying words;
(3) dramatic works, including any accompanying music;
(4) pantomimes and choreographic works;
(5) pictorial, graphic, and sculptural works;
(6) motion pictures and other audiovisual works; and
(7) sound recordings.

This list is illustrative and is not meant to exhaust the categories of copyrightable works. These categories should be viewed quite broadly so that, for example, computer programs and most "compilations" are registrable as "literary works"; maps and architectural blueprints are registrable as "pictorial, graphic, and sculptural works."

WHAT IS NOT PROTECTED BY COPYRIGHT

Several categories of material are generally not eligible for statutory copyright protection. These include among others:

- Works that have *not* been fixed in a tangible form of expression. For example: choreographic works which have not been notated or recorded, or improvisational speeches or performances that have not been written or recorded.
- Titles, names, short phrases, and slogans; familiar symbols or designs; mere variations of typographic ornamentation, lettering, or coloring; mere listings of ingredients or contents.
- Ideas, procedures, methods, systems, processes, concepts, principles, discoveries, or devices, as distinguished from a description, explanation, or illustration.

- Works consisting *entirely* of information that is common property and containing no original authorship. For example: standard calendars, height and weight charts, tape measures and rules, and lists or tables taken from public documents or other common sources.

HOW TO SECURE A COPYRIGHT

Copyright Secured Automatically Upon Creation

The way in which copyright protection is secured under the present law is frequently misunderstood. No publication or registration or other action in the Copyright Office is required to secure copyright under the present law, unlike the previous law, which required either publication with the copyright notice or registration in the Copyright Office (see NOTE below). There are, however, certain definite advantages to registration. (See page 9.)

Under the present law, copyright is secured *automatically* when the work is created, and a work is "created" when it is fixed in a copy or phonorecord for the first time. In general, "copies" are material objects from which a work can be read or visually perceived either directly or with the aid of a machine or device, such as books, manuscripts, sheet music, film, videotape, or microfilm. "Phonorecords" are material objects embodying fixations of sounds (excluding, by statutory definition, motion picture soundtracks), such as audio tapes and phonograph disks. Thus, for example, a song (the "work") can be fixed in sheet music ("copies") or in phonograph disks ("phonorecords"), or both.

If a work is prepared over a period of time, the part of the work existing in fixed form on a particular date constitutes the created work as of that date.

NOTE: Before 1978, statutory copyright was generally secured by the act of publication with notice of copyright, assuming compliance with all other relevant statutory conditions. Works in the public domain on January 1, 1978 (for example, works published without satisfying all conditions for securing statutory copyright under the Copyright Act of 1909) remain in the public domain under the current Act.

Statutory copyright could also be secured before 1978 by the act of registration in the case of certain unpublished works and works eligible for ad interim copyright. The current Act automatically extends to full term copyright (section 304 sets the term) for all works in which ad interim copyright was subsisting or was capable of being secured on December 31, 1977.

PUBLICATION

Publication is no longer the key to obtaining statutory copyright as it was under the Copyright Act of 1909. However, publication remains important to copyright owners.

The Copyright Act defines publication as follows:

> "Publication" is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

A further discussion of the definition of "publication" can be found in the legislative history of the Act. The legislative reports define "to the public" as distribution to persons under no explicit or implicit restrictions with respect to disclosure of the contents. The reports state that the definition makes it clear that the sale of phonorecords constitutes publication of the underlying work, for example, the musical, dramatic, or literary work embodied in a phonorecord. The reports also state that it is clear that any form of dissemination in which the material object does not change hands, for example, performances or displays on television, is *not* a publication no matter how many people are exposed to the work. However, when copies or phonorecords are offered for sale or lease to a group of wholesalers, broadcasters, or motion picture theaters, publication does take place if the purpose is further distribution, public performance, or public display.

Publication is an important concept in the copyright law because upon publication, several significant consequences follow. Among these are:

- When a work is published, all published copies should bear a notice of copyright. (See discussion below of "notice of copyright.")
- Works that are published with notice of copyright in the United States are subject to mandatory deposit with the

Library of Congress. (See discussion on page 10 on "mandatory deposit.")

- Publication of a work can affect the limitations on the exclusive rights of the copyright owner that are set forth in sections 107 through 118 of the law.
- The year of publication is used in determining the duration of copyright protection for anonymous and pseudonymous works (when the author's identity is not revealed in the records of the Copyright Office) and for works made for hire.
- Deposit requirements for registration of published works differ from those for registration of unpublished works. (See discussion on page 9 of "copyright registration" procedures.)

NOTICE OF COPYRIGHT

When a work is published under the authority of the copyright owner, a notice of copyright should be placed on all publicly distributed copies and on all publicly distributed phonorecords of sound recordings. This notice is required even on works published outside of the United States. Failure to comply with the notice requirement can result in the loss of certain additional rights otherwise available to the copyright owner.

The use of the copyright notice is the responsibility of the copyright owner and does not require advance permission from, or registration with, the Copyright Office.

Form of Notice for Visually Perceptible Copies

The notice for visually perceptible copies should contain all of the following three elements:

1. *The symbol* © (the letter C in a circle), or the word "Copyright," or the abbreviation "Copr."
2. *The year of first publication* of the work. In the case of compilations or derivative works incorporating previously published material, the year date of first publication of the compilation or derivative work is sufficient. The year date may be omitted where a pictorial, graphic, or sculptural work, with accompanying textual matter, if any, is reproduced in or on greeting cards, postcards, stationery, jewelry, dolls, toys, or any useful articles.
3. *The name of the owner of copyright* in the work, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner.

Example: © 1982 John Doe

The "C in a circle" notice is required only on "visually perceptible copies." Certain kinds of works, for example, musical, dramatic, and literary works, may be fixed not in "copies" but by means of sound in an audio recording. Since audio recordings such as audio tapes and phonograph disks are "phonorecords" and not "copies," there is no requirement that the phonorecord bear a "C in a circle" notice to protect the underlying musical, dramatic, or literary work that is recorded.

Form of Notice for Phonorecords of Sound Recordings

The copyright notice for phonorecords of sound recordings* has somewhat different requirements. The notice appearing on phonorecords should contain the following three elements:

- *The symbol* ℗ (the letter P in a circle); and
- *The year of first publication* of the sound recording; and
- *The name of the owner of copyright* in the sound recording, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner. If the producer of the sound recording is named on the phonorecord labels or containers, and if no other name appears in conjunction with the notice, the producer's name shall be considered a part of the notice.

Example: ℗ 1982 A.B.C., Inc.

NOTE: [illegible] might result in some [illegible] the notice, any [illegible] should [illegible] without [illegible] legal advice.

Position of Notice

The notice should be affixed to copies or phonorecords of the work in such a manner and location as to "give reasonable notice of the claim of copyright." The notice on phonorecords may appear on the surface of the phonorecord or on

*Sound recordings are defined as "works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied."

the phonorecord label or container, provided the manner of placement and location gives reasonable notice of the claim. The three elements of the notice should ordinarily appear together on the copies or phonorecords. The Copyright Office has issued regulations concerning the form and position of the copyright notice in the *Code of Federal Regulations* (37 C.F.R. Part 201); copies of these regulations are available from the Copyright Office as Circular R96 201.20.

Publications Incorporating United States Government Works

Whenever a work is published in copies or phonorecords consisting preponderantly of one or more works of the United States Government, the notice of copyright shall also include a statement identifying, either affirmatively or negatively, those portions of the copies or phonorecords embodying any work or works protected by title 17 of the United States Code.

Unpublished Works

The copyright notice is not required on unpublished works. To avoid an inadvertent publication without notice, however, it may be advisable for the author or other owner of the copyright to affix notices, or a statement such as *Unpublished Work* © 1982 John Doe, to any copies or phonorecords which leave his or her control.

Effect of Omission of the Notice or of Error in the Name or Date

Unlike the law in effect before 1978, the new Copyright Act, in sections 405 and 406, provides procedures for correcting errors and omissions of the copyright notice on works published on or after January 1, 1978.

In general, the omission or error does not automatically invalidate the copyright in a work if registration for the work has been made before or is made within 5 years after the publication without notice, and a reasonable effort is made to add the notice to all copies or phonorecords that are distributed to the public in the United States after the omission has been discovered.

HOW LONG COPYRIGHT PROTECTION ENDURES

Works Originally Copyrighted on or After January 1, 1978

A work that is created (fixed in tangible form for the first time) on or after January 1, 1978, is automatically protected from the moment of its creation, and is ordinarily given a term enduring for the author's life, plus an additional 50 years after the author's death. In the case of "a joint work prepared by two or more authors who did not work for hire," the term lasts for 50 years after the last surviving author's death. For works made for hire, and for anonymous and pseudonymous works (unless the author's identity is revealed in Copyright Office records), the duration of copyright will be 75 years from publication or 100 years from creation, whichever is shorter.

Works that were created before the present law came into effect, but had neither been published nor registered for copyright before January 1, 1978, have been automatically brought under the statute and are now given Federal copyright protection. The duration of copyright in these works will generally be computed in the same way as for works created on or after January 1, 1978: the life-plus-50 or 75/100-year terms will apply to them as well. However, all works in this category are guaranteed at least 25 years of statutory protection.

Works Copyrighted Before January 1, 1978

Under the law in effect before 1978, copyright was secured either on the date a work was published, or on the date of registration if the work was registered in unpublished form. In either case, the copyright endured for a first term of 28 years from the date it was secured. During the last (28th) year of the first term, the copyright was eligible for renewal. The new copyright law has extended the renewal term from 28 to 47 years for copyrights that were subsisting on January 1, 1978, making these works eligible for a total term of protection of 75 years. However, the copyright *must* be timely renewed to receive the 47-year period of added protection. For more detailed information on the copyright term, write to the Copyright Office and request Circulars R15a and R15t. For information on how to search the Copyright Office records concerning the copyright status of a work, ask for Circular R22.

TRANSFER OF COPYRIGHT

Any or all of the exclusive rights, or any subdivision of those rights, of the copyright owner may be transferred, but the transfer of *exclusive* rights is not valid unless that transfer is in writing and signed by the owner of the rights con-

veyed (or such owner's duly authorized agent). Transfer of a right on a nonexclusive basis does not require a written agreement.

A copyright may also be conveyed by operation of law and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.

Copyright is a personal property right, and it is subject to the various state laws and regulations that govern the ownership, inheritance, or transfer of personal property as well as terms of contracts or conduct of business. For information about relevant state laws, consult an attorney.

Transfers of copyright are normally made by contract. The Copyright Office does not have or supply any forms for such transfers. However, the law does provide for the recordation in the Copyright Office of transfers of copyright ownership. Although recordation is not required to make a valid transfer as between the parties, it does provide certain legal advantages and may be required to validate the transfer as against third parties. For information on recordation of transfers and other documents related to copyright, write to the Copyright Office for Circular R12.

TERMINATION OF TRANSFERS

Under the previous law, the copyright in a work generally reverted to the author, if living, or if the author was not living, to other specified beneficiaries, provided a renewal claim was registered in the 28th year of the original term. The present law drops the renewal feature except for works already in their first term of statutory protection when the present law took effect. Instead, the present law generally permits termination of a grant of rights after 35 years under certain conditions by serving written notice on the transferee within specified time limits.

For works already under statutory copyright protection, the present law provides a similar right of termination covering the newly added years that extended the former maximum term of the copyright from 56 to 75 years. For further information, write to the Copyright Office for Circulars R15a and R15t.

INTERNATIONAL COPYRIGHT PROTECTION

There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions. For a list of countries which maintain copyright relations with the United States, write to the Copyright Office and ask for Circular R38a.

The United States is a member of the Universal Copyright Convention (the UCC), which came into force on September 16, 1955. Generally, a work by a national or domiciliary of a country that is a member of the UCC or a work first published in a UCC country may claim protection under the UCC. If the work bears the notice of copyright in the form and position specified by the UCC, this notice will satisfy and substitute for any other formalities a UCC member country would otherwise impose as a condition of copyright. A UCC notice should consist of the symbol © accompanied by the name of the copyright proprietor and the year of first publication of the work.

An author who wishes protection for his or her work in a particular country should first find out the extent of protection of foreign works in that country. If possible, this should be done before the work is published anywhere, since protection may often depend on the facts existing at the time of **first** publication.

If the country in which protection is sought is a party to one of the international copyright conventions, the work may generally be protected by complying with the conditions of the convention. Even if the work cannot be brought under an international convention, protection under the specific provisions of the country's national laws may still be possible. Some countries, however, offer little or no copyright protection for foreign works.

COPYRIGHT REGISTRATION

In general, copyright registration is a legal formality intended to make a public record of the basic facts of a particular copyright. However, except in two specific situations,* registration is not a condition of copyright protection.

*Works published with notice of copyright prior to January 1, 1978, must be registered and renewed during the first 28-year term of copyright to maintain protection.

Under sections 405 and 406 of the Copyright Act, copyright registration may be required to preserve a copyright that would otherwise be invalidated because the copyright notice was omitted from the published copies or phonorecords, or the name or year date was omitted, or certain errors were made in the year date.

Even though registration is not generally a requirement for protection, the copyright law provides several inducements or advantages to encourage copyright owners to make registration. Among these advantages are the following:

- Registration establishes a public record of the copyright claim;
- Registration is ordinarily necessary before any infringement suits may be filed in court;
- If made before or within 5 years of publication, registration will establish prima facie evidence in court of the validity of the copyright and of the facts stated in the certificate; and
- If registration is made within 3 months after publication of the work or prior to an infringement of the work, statutory damages and attorney's fees will be available to the copyright owner in court actions. Otherwise, only an award of actual damages and profits is available to the copyright owner.

Registration may be made at any time within the life of the copyright. Unlike the law before 1978, when a work has been registered in unpublished form, it is not necessary to make another registration when the work becomes published (although the copyright owner may register the published edition, if desired).

NOTE: Before 1978, the copyright law required, as a condition for copyright protection, that all copies published with the authorization of the copyright owner bear a proper notice. If a work was published under the copyright owner's authority before January 1, 1978, without a proper copyright notice, all copyright protection for that work was permanently lost in the United States. The new copyright law does not provide retroactive protection for those works.

REGISTRATION PROCEDURES

In General

To register a work, send the following three elements to the Copyright Office ***in the same envelope or package*** to the Register of Copyrights, Copyright Office, Library of Congress, Washington, D.C. 20559: (see page 12 for what happens if the elements are sent separately).

1. A properly completed application form;
2. A nonreturnable filing fee of $10 for each application;
3. A deposit of the work being registered. The deposit requirements will vary in particular situations. The general requirements are as follows:

- If the work is unpublished, one complete copy or phonorecord.
- If the work was first published in the United States on or after January 1, 1978, two complete copies or phonorecords of the best edition.
- If the work was first published in the United States before January 1, 1978, two complete copies or phonorecords of the work as first published.
- If the work was first published outside the United States, whenever published, one complete copy or phonorecord of the work as first published.
- If the work is a contribution to a collective work, and published after January 1, 1978, one complete copy or phonorecord of the best edition of the collective work.

NOTE: COMPLETE THE APPLICATION FORM USING BLACK INK PEN OR TYPEWRITER. After registration is completed, the application form becomes a part of the official permanent records of the Copyright Office so the application forms must meet archival standards. Therefore, applications should be submitted on the forms printed and issued by the Copyright Office. Because the certificate itself will be reproduced from the application by xerographic process, it should be completed legibly in black ink or typewritten.

Unpublished Collections

A work may be registered in unpublished form as a "collection," with one application and one fee, under the following conditions:

- The elements of the collection are assembled in an orderly form;
- The combined elements bear a single title identifying the collection as a whole;
- The copyright claimant in all the elements and in the collection as a whole is the same; and
- All of the elements are by the same author, or, if they are by different authors, at least one of the authors has contributed copyrightable authorship to each element.

Unpublished collections are indexed in the *Catalog of Copyright Entries* only under the collection titles.

Special Deposit Requirements

The Copyright Act gives the Register of Copyrights authority to issue regulations making adjustments in the statutory deposit requirements. These regulations as now issued require or permit, for particular classes, the deposit of identifying material instead of copies or phonorecords, the deposit of only one copy or phonorecord where two would normally be required, and in some cases material other than complete copies of the best edition. For example, the regulations ordinarily require deposit of identifying material, such as photographs or drawings, when the work being registered has been reproduced in three-dimensional copies.

If you are unsure of the proper deposit required for your work, write to the Copyright Office for that information and describe the work you wish to register.

NOTE: LIBRARY OF CONGRESS CATALOG CARD NUMBERS.
A Library of Congress Catalog Card Number is different from a copyright registration number. The Cataloging in Publication (CIP) Division of the Library of Congress is responsible for assigning LC Catalog Card Numbers and is operationally separate from the Copyright Office. A book may be registered in or deposited with the Copyright Office but not necessarily cataloged and added to the Library's collections. For information about obtaining an LC Catalog Card Number, contact the CIP Division, Library of Congress, Washington, D.C. 20540.

CORRECTIONS AND AMPLIFICATIONS OF EXISTING REGISTRATIONS

To deal with cases in which information in the basic registration later turns out to be incorrect or incomplete, the law provides for "the filing of an application for supplementary registration, to correct an error in a copyright registration or to amplify the information given in a registration." The information in a supplementary registration augments but does not supersede that contained in the earlier registration. Note also that a supplementary registration is not a substitute for an original registration or for a renewal registration. Form CA is available from the Copyright Office for making a supplementary registration. For further information about supplementary registrations, write for Circular R8.

MANDATORY DEPOSIT FOR WORKS PUBLISHED IN THE UNITED STATES WITH NOTICE OF COPYRIGHT

Although a copyright registration is not required, the Copyright Act establishes a mandatory deposit requirement for works published with notice of copyright in the United States (see definition of "publication" on page 5). In general, the owner of copyright, or the owner of the right of first publication in the work, has a legal obligation to deposit in the Copyright Office, within 3 months of publication in the United States, 2 copies (or, in the case of sound recordings, 2 phonorecords) for the use of the Library of Congress. Failure to make the deposit can result in fines and other penalties, but does not affect copyright protection.

The Copyright Office has issued regulations *exempting* certain categories of works *entirely* from the mandatory deposit requirements, and reducing the obligation for certain other categories. For further information about mandatory deposit, please write to the Copyright Office for Circular R7d.

USE OF MANDATORY DEPOSIT TO SATISFY REGISTRATION REQUIREMENTS

With respect to works published in the United States the Copyright Act contains a special provision under which a single deposit can be made to satisfy both the deposit requirements for the Library and the registration requirements. The provision requires that, in order to have this dual effect, the copies or phonorecords must be "accompanied by the prescribed application and fee" for registration.

WHO MAY FILE AN APPLICATION FORM

The following persons are legally entitled to submit an application form:

- The author. This is either the person who actually created the work, or, if the work was made for hire, the employer or other person for whom the work was prepared.
- The copyright claimant. The copyright claimant is defined in Copyright Office regulations as either the author of the work or a person or organization that has obtained ownership of all the rights under the copyright initially belonging to the author. This category includes a person or organization who has obtained by contract the right to claim legal title to the copyright in an application for copyright registration.
- The owner of exclusive right(s). Under the new law, any of the exclusive rights that go to make up a copyright and any subdivision of them can be transferred and owned separately, even though the transfer may be limited in time or place of effect. The term "copyright owner" with respect to any one of the exclusive rights contained in a copyright refers to the owner of that particular right. Any owner of an exclusive right may apply for registration of a claim in the work.
- The duly authorized agent of such author, other copyright claimant, or owner of exclusive right(s). Any person authorized to act on behalf of the author, other copyright claimant, or owner of exclusive right(s) may apply for registration.

There is no requirement that applications be prepared or filed by an attorney.

APPLICATION FORMS

For Original Registration

Form TX: for published and unpublished nondramatic literary works

Form SE: for serials, works issued or intended to be issued in successive parts bearing numerical or chronological designations and intended to be continued indefinitely (periodicals, newspapers, magazines, newsletters, annuals, journals, etc.)

Form PA: for published and unpublished works of the performing arts (musical and dramatic works, pantomimes and choreographic works, motion pictures and other audiovisual works)

Form VA: for published and unpublished works of the visual arts (pictorial, graphic, and sculptural works)

Form SR: for published and unpublished sound recordings

For Renewal Registration

Form RE: for claims to renewal copyright in works copyrighted under the law in effect through December 31, 1977 (1909 Copyright Act)

For Corrections and Amplifications

Form CA: for supplementary registration to correct or amplify information given in the Copyright Office record of an earlier registration

Other Forms for Special Purposes

Form GR/CP: an adjunct application to be used for registration of a group of contributions to periodicals in addition to an application Form TX, PA, or VA

Form IS: request for issuance of an import statement under the manufacturing provisions of the Copyright Act

Application forms are supplied by the Copyright Office free of charge.

FORMS HOTLINE

NOTE: Requestors may order application forms at any time by telephoning (202) 287-9100. Orders will be recorded automatically and filled as quickly as possible.

MAILING INSTRUCTIONS

All applications and materials related to copyright registration sent to the Copyright Office should be addressed to the Register of Copyrights, Copyright Office, Library of Congress, Washington, D.C. 20559.

The application, deposit (copies or phonorecords), and nonreturnable filing fee should be mailed in the same package.

WHAT HAPPENS IF THE THREE ELEMENTS ARE NOT RECEIVED TOGETHER

Applications and fees received without copies or phonorecords will not be processed and will ordinarily be returned. Unpublished deposits alone will ordinarily be returned, also. Published deposits received without applications and fees will be immediately transferred to the collections of the Library of Congress. This practice is in accordance with section 408 of the law which provides that the published deposit required for the collections of the Library of Congress may be used for registration only if the deposit is "accompanied by the prescribed application and fee . . ."

After the deposit is received and transferred to another department of the Library for its collections or other disposition, it is no longer available to the Copyright Office; the custody of that deposit has also been transferred to the other department. Then, if you wish to make copyright registration, you must deposit additional copies or phonorecords with your application and fee.

FEES

Do not send cash. Fees sent to the Copyright Office should be in the form of a money order, check, or bank draft payable to the Register of Copyrights; it should be securely attached to the application.

EFFECTIVE DATE OF REGISTRATION

Please note that **a copyright registration is effective on the date of receipt in the Copyright Office of all the required elements in acceptable form,** regardless of the length of time it takes thereafter to process the application and mail the certificate of registration. The length of time required by the Copyright Office to process an application varies from time to time, depending on the amount of material received and the personnel available to handle it. It must also be kept in mind that it may take a number of days for mailed material to reach the Copyright Office and for the certificate of registration to reach the recipient after being mailed by the Copyright Office.

If you are filing an application for copyright registration in the Copyright Office, you *will not* receive an acknowledgement that your application has been received (the Office receives more than 500,000 applications annually), but you can expect:

- A letter or telephone call from a copyright examiner if further information is needed;
- A certificate of registration to indicate the work has been registered, or if the application cannot be accepted, a letter explaining why it has been rejected.

You may not receive either of these until 90 days have passed.

If you want to know when the Copyright Office receives your material, you should send it via registered or certified mail and request a return receipt.

AVAILABLE INFORMATION

This circular attempts to answer some of the questions that are frequently asked about copyright. For a list of other material published by the Copyright Office, write for "Publications on Copyright." Any requests for Copyright Office publications or special questions relating to copyright problems not mentioned in this circular should be addressed to the Information and Publications Section, LM-455, Copyright Office, Library of Congress, Washington, D.C. 20559.

The Copyright Office is not permitted to give legal advice. If you need information or guidance on matters such as disputes over the ownership of a copyright, suits against possible infringers, the procedure for getting a work published, or the method of obtaining royalty payments, it may be necessary to consult an attorney.

Copyright Office • Library of Congress • Washington, D.C. 20559

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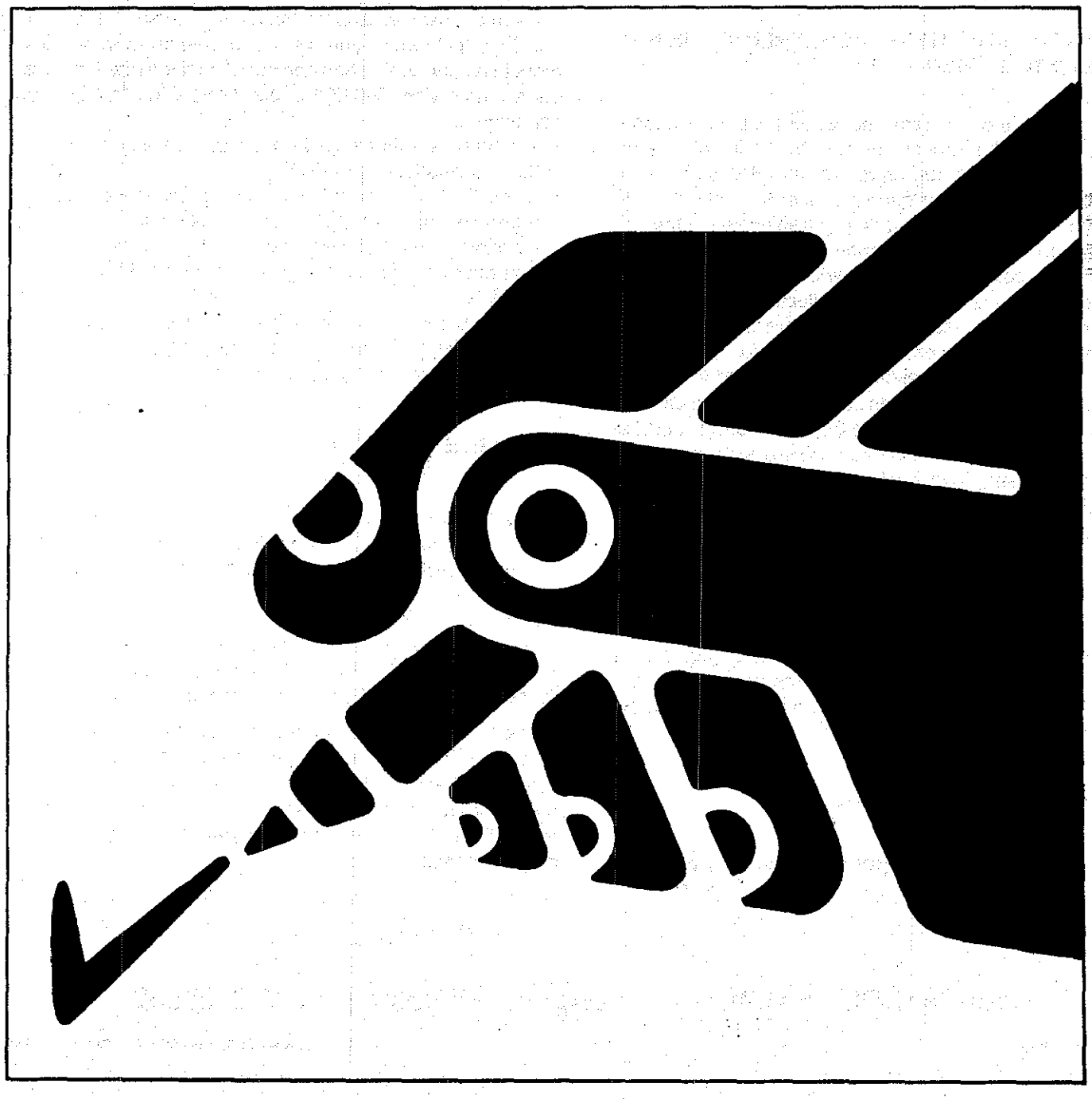
Circular

R99

Highlights of the New Copyright Law



Highlights of the New Copyright Law

INTRODUCTION

On January 1, 1978, a completely new copyright statute (title 17 of the United States Code) came into effect in the United States, superseding the Copyright Act of 1909, as amended, and making important changes in our copyright system. Some of the highlights of the new statute are listed below. For detailed information about specific changes or new provisions, write to the Copyright Office.

HIGHLIGHTS

Single National System

Instead of the former dual system of protecting works under the common law before they were published and under the Federal statute after publication, the new law establishes a single system of statutory protection for all copyrightable works, whether published or unpublished.

Duration of Copyright

For works created (fixed in tangible form for the first time) after January 1, 1978, the term of protection starts at the moment of creation and lasts for the author's life, plus an additional 50 years after the author's death. In the case of "a joint work prepared by two or more authors who did not work for hire," the term lasts for 50 years after the last surviving author's death. For works made for hire, and for anonymous and pseudonymous works (unless the author's identity is revealed in Copyright Office records), the duration of copyright is 75 years from publication or 100 years from creation, whichever is shorter.

Works that had been created before the new law came into effect but had neither been published nor registered for copyright before January 1, 1978, have been automatically brought under the statute and are now given Federal copyright protection. The duration of copyright in these works is generally computed in the same way as for new works: the life-plus-50 or 75/100-year terms. However, all works in this category are guaranteed at least 25 years of statutory protection. The law specifies that in no case will copyright in a work of this sort expire before December 31, 2002, and if the work is published before that date the term may be extended by another 25 years, through the end of 2027.

For works that had already secured statutory copyright protection before January 1, 1978, the new law retains the old system for computing the duration of protection, but with some changes. The law provides for a first term of 28 years, measured from the date protection was originally secured by publication or registration, with the right to a renewal term of 47 years. Copyrights in their first term **must still be renewed** to receive the full new maximum term of 75 years, but copyrights in their second term between December 31, 1976, and December 31, 1977, were automatically extended up to the maximum of 75 years without the need for further renewal.

The new law provides that all terms of copyright will run through the end of the calendar year in which they would otherwise expire. This not only affects the duration of copyrights, but also the time limits for renewal registrations.

The new Act does not restore copyright protection for any work that has gone into the public domain.

For further information about duration, write for Circular R15a.

Termination of Transfers

Under the old law, after the first term of 28 years the renewal copyright reverted in certain situations to the author or other specified beneficiaries. The new law dropped the renewal feature except for works already in their first term of statutory protection when the new law took effect. Instead, for transfers of United States rights made by an author on or after January 1, 1978, the new Act generally permits the author or certain heirs to terminate the transfer during a 5-year period beginning at the end

of 35 years from the date of the grant, or if the grant covers the right of publication, 35 years from the date of publication or 40 years from the date of the grant, whichever is shorter. To terminate, a written notice must be served on the transferee within specified time limits.

For works under statutory copyright protection on December 31, 1977, a similar right of termination is provided with respect to transfers covering the newly added years extending the previous maximum term of the copyright from 56 to 75 years. Within certain time limits, an author or specified heirs of the author are generally entitled to file a notice terminating the author's transfers covering any part of the period (usually 19 years) that has now been added to the end of the second term of copyright in a work.

Works of the United States Government

The new law continues the prohibition against copyright in "publications of the United States Government" but clarifies its scope by defining works covered by the prohibition as those prepared by an officer or employee of the U.S. Government as part of that person's official duties.

Fair Use

The new law adds a provision to the statute specifically recognizing the principle of "fair use" as a limitation on the exclusive rights of copyright owners, and indicates factors to be considered in determining whether particular uses fall within this category.

Reproduction by Libraries and Archives

In addition to the provision for "fair use," the new law specifies circumstances under which the making or distribution of single copies of works by libraries and archives for noncommercial purposes do not constitute a copyright infringement.

For further information about reproduction of copyrighted works by librarians and educators, write for Circular R21.

Copyright Royalty Tribunal

The new law created a Copyright Royalty Tribunal whose purpose is to determine whether copyright royalty rates, in certain categories where such rates are established in the law, are reasonable and, if not, to adjust them; it will also in certain circumstances determine the distribution of those statutory royalty fees deposited with the Register of Copyrights.

Sound Recordings

The new law retains the provisions added to the old copyright law in 1972 which accord protection against the unauthorized duplication of sound recordings. The new law does not create a performance right for sound recordings as such.

Recording Rights in Music

The new law makes a number of changes in the system providing compulsory licensing for the recording of music. Among other things it raises the statutory royalty rate, which the Copyright Royalty Tribunal has the authority to adjust periodically.

There is no longer any requirement to file a Notice of Use form with the Copyright Office in order to use the mechanical licensing provisions.

Exempt Performances

The new law removes the general exemption of public performance of nondramatic literary and musical works where the performance is not "for profit." Instead, it provides several specific exemptions for certain types of nonprofit uses, including performances in classrooms and instructional broadcasting. The law also gives broadcasting organizations a limited privilege of making "ephemeral recordings" of their broadcasts.

Public Broadcasting

Under the new Act, noncommercial transmissions by public broadcasters of published musical and graphic works are subject to a compulsory license if copyright owners and public broadcasting entities do not reach voluntary agreement. License agreements between copyright owners

and public broadcasters are to be filed in the Copyright Office.

Jukebox Exemption

The new law removes the exemption for performances of copyrighted music by jukeboxes. It substitutes a system of compulsory licenses based upon the payment by jukebox operators of an annual royalty fee to the Register of Copyrights for later distribution by the Copyright Royalty Tribunal to the copyright owners.

Cable Television

The new law provides for the payment, under a system of compulsory licensing, of certain royalties for the secondary transmission of copyrighted works on cable television systems (CATV). The amounts are to be paid to the Register of Copyrights for later distribution to the copyright owners by the Copyright Royalty Tribunal.

Copyright Registration

Under the 1976 Act, a work of original authorship is protected by copyright from the time the work is created in a fixed form; registration with the Copyright Office is not a condition of copyright protection itself (except to preserve a copyright if a work has been published with a defective or missing copyright notice), but copyright registration is a prerequisite to an infringement suit.

There are also certain other definite advantages to registration, including establishing a public record of the copyright claim, securing the right to file an infringement suit, establishing prima facie evidence of the validity of the copyright, and making available a broader range of remedies in infringement suits.

Registration Procedures

To register a claim to copyright, send (1) a properly completed application form; (2) a fee of $10 (not cash) for each application; and (3) a deposit copy or phonorecord of the work being registered. The mailing address for copyright registrations is:

Register of Copyrights
Copyright Office
Library of Congress
Washington, D.C. 20559

For more information about which application form to use and deposit requirements, which vary in particular situations, write to:

Information and Publications Section, LM-455
Copyright Office, Library of Congress
Washington, D.C. 20559

Notice of Copyright

The old law required, as a mandatory condition of copyright protection, that the published copies of a work bear a copyright notice. The new enactment calls for a notice on published copies, but omission or errors will not immediately result in loss of the copyright, and can be corrected within certain time limits. Innocent infringers misled by the omission or error will be shielded from liability.

Mandatory Deposit

Although copyright registration is not required, the Copyright Act establishes a mandatory deposit requirement for works published with notice of copyright in the United States. In general, the owner of copyright, or the owner of the right of first publication in the work, has a legal obligation to deposit in the Copyright Office, within 3 months of publication in the United States, 2 copies (or, in the case of sound recordings, 2 phonorecords) for the use of the Library of Congress. Failure to make the deposit can give rise to fines and other penalties, but does not affect copyright protection.

For further information about certain exemptions from this requirement, and more information about mandatory deposit, write for Circular R 7d.

Manufacturing Clause

The 1909 law required that certain works be manufactured in the United States to have copyright protection here. The 1976 Act makes several

modifications that narrow the coverage of the manufacturing clause, permit the importation of 2,000 copies manufactured abroad instead of the previous limit of 1,500 copies, and equate manufacture in Canada with manufacture in the United States. Although it was contemplated that the manufacturing clause would expire on July 1, 1982, the 97th Congress extended the clause until July 1, 1986, overruling a Presidential veto to do so.

Computer Software Act of 1980

On December 12, 1980, President Carter signed the "Computer Software Act of 1980" into law, thereby amending sections 101 and 117 of the 1976 Copyright Act to contain a specific definition of computer programs and to clarify the extent of the protection for computer software.

Although the Copyright Office has been registering claims in computer programs since 1964, the numbers of claims registered in recent years has increased enormously. Claims to copyright in computer programs may presently be registered with the Copyright Office on a TX form — as a literary work. For more information about the registration of computer software, contact the Copyright Office.

BACKGROUND

The effort that led to the general revision of the copyright law began in 1955 with a program that produced, under the supervision of the Copyright Office, a series of 35 extensive studies of major copyright problems. This was followed by a report of the Register of Copyrights on general revision in 1961, by the preparation in the Copyright Office of a preliminary proposed draft bill, and by a series of meetings with a Panel of Consultants consisting of copyright experts, the majority of them from outside the Government. Following a supplementary report by the Register and a bill introduced in Congress primarily for consideration and comment, the first legislative hearings were held before a subcommittee of the House Judiciary Committee on the basis of a bill introduced in 1965. During the same year a companion bill was introduced in the Senate.

In 1967, after the subcommittee had held extensive hearings, the House of Representatives pased a revision bill whose major features were similar to the bill just enacted.

There followed another series of extensive hearings before a subcommittee of the Senate Judiciary Committee, but, owing chiefly to an extended impasse on the complex and controversial subject of cable television, the revision bill was prevented from reaching the Senate floor.

Indeed it was not until 1974 that the copyright revision bill was enacted by the Senate. However, that bill, although in its general terms the same as the measure approved by the House in 1967, was different in a number of particulars. In February 1976 the Senate again passed the bill in essentially the same form as the one it had previously passed. Thereafter, the House, following further hearings and consideration by the Judiciary subcommittee, passed the bill on September 22, 1976. There followed a meeting of a conference committee of the two Houses, which resolved the differences between the two bills and reported a single version that was enacted by each body and presented to the President. On October 19, 1976, President Gerald R. Ford signed the bill which became Public Law 94-553 (90 Stat. 2541).

FURTHER INFORMATION

The Copyright Office has promulgated new regulations and proposed others. It has devised a new classification system and issued new application forms corresponding to the new registration categories. You can obtain copies of the new statute, a supply of new application forms, and other information free of charge by sending a specific written request to: Information and Publications Section, LM-455, Copyright Office, Library of Congress, Washington, D.C. 20559.

Public Law 94-553
94th Congress

An Act

For the general revision of the Copyright Law, title 17 of the United States Code, and for other purposes.

Oct. 19, 1976
[S. 22]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Title 17, USC, Copyrights.

TITLE I—GENERAL REVISION OF COPYRIGHT LAW

SEC. 101. Title 17 of the United States Code, entitled "Copyrights", is hereby amended in its entirety to read as follows:

TITLE 17—COPYRIGHTS

CHAPTER	Sec.
1. SUBJECT MATTER AND SCOPE OF COPYRIGHT	101
2. COPYRIGHT OWNERSHIP AND TRANSFER	201
3. DURATION OF COPYRIGHT	301
4. COPYRIGHT NOTICE, DEPOSIT, AND REGISTRATION	401
5. COPYRIGHT INFRINGEMENT AND REMEDIES	501
6. MANUFACTURING REQUIREMENT AND IMPORTATION	601
7. COPYRIGHT OFFICE	701
8. COPYRIGHT ROYALTY TRIBUNAL	801

Chapter 1.—SUBJECT MATTER AND SCOPE OF COPYRIGHT

Sec.
101. Definitions.
102. Subject matter of copyright: In general.
103. Subject matter of copyright: Compilations and derivative works.
104. Subject matter of copyright: National origin.
105. Subject matter of copyright: United States Government works.
106. Exclusive rights in copyrighted works.
107. Limitations on exclusive rights: Fair use.
108. Limitations on exclusive rights: Reproduction by libraries and archives.
109. Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord.
110. Limitations on exclusive rights: Exemption of certain performances and displays.
111. Limitations on exclusive rights: Secondary transmissions.
112. Limitations on exclusive rights: Ephemeral recordings.
113. Scope of exclusive rights in pictorial, graphic, and sculptural works.
114. Scope of exclusive rights in sound recordings.
115. Scope of exclusive rights in nondramatic musical works: Compulsory license for making and distributing phonorecords.
116. Scope of exclusive rights in nondramatic musical works: Public performances by means of coin-operated phonorecord players.
117. Scope of exclusive rights: Use in conjunction with computers and similar information systems.
118. Scope of exclusive rights: Use of certain works in connection with noncommercial broadcasting.

§ 101. Definitions

17 USC 101.

As used in this title, the following terms and their variant forms mean the following:

An "anonymous work" is a work on the copies or phonorecords of which no natural person is identified as author.

"Audiovisual works" are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless

"Sound recordings" are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.

"State" includes the District of Columbia and the Commonwealth of Puerto Rico, and any territories to which this title is made applicable by an Act of Congress.

A "transfer of copyright ownership" is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

A "transmission program" is a body of material that, as an aggregate, has been produced for the sole purpose of transmission to the public in sequence and as a unit.

To "transmit" a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.

The "United States", when used in a geographical sense, comprises the several States, the District of Columbia and the Commonwealth of Puerto Rico, and the organized territories under the jurisdiction of the United States Government.

A "useful article" is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a "useful article".

The author's "widow" or "widower" is the author's surviving spouse under the law of the author's domicile at the time of his or her death, whether or not the spouse has later remarried.

A "work of the United States Government" is a work prepared by an officer or employee of the United States Government as part of that person's official duties.

A "work made for hire" is—

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

17 USC 102.

§ 102. Subject matter of copyright: In general

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expres-

sion, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

Works of authorship.

(1) literary works;
(2) musical works, including any accompanying words;
(3) dramatic works, including any accompanying music;
(4) pantomimes and choreographic works;
(5) pictorial, graphic, and sculptural works;
(6) motion pictures and other audiovisual works; and
(7) sound recordings.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

§ 103. Subject matter of copyright: Compilations and derivative works 17 USC 103.

(a) The subject matter of copyright as specified by section 102 includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.

(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

§ 104. Subject matter of copyright: National origin 17 USC 104.

(a) UNPUBLISHED WORKS.—The works specified by sections 102 and 103, while unpublished, are subject to protection under this title without regard to the nationality or domicile of the author.

(b) PUBLISHED WORKS.—The works specified by sections 102 and 103, when published, are subject to protection under this title if—

(1) on the date of first publication, one or more of the authors is a national or domiciliary of the United States, or is a national, domiciliary, or sovereign authority of a foreign nation that is a party to a copyright treaty to which the United States is also a party, or is a stateless person, wherever that person may be domiciled; or

(2) the work is first published in the United States or in a foreign nation that, on the date of first publication, is a party to the Universal Copyright Convention; or

(3) the work is first published by the United Nations or any of its specialized agencies, or by the Organization of American States; or

(4) the work comes within the scope of a Presidential proclamation. Whenever the President finds that a particular foreign nation extends, to works by authors who are nationals or domiciliaries of the United States or to works that are first published in the United States, copyright protection on substantially the same basis as that on which the foreign nation extends protection to works of its own nationals and domiciliaries and works first published in that nation, the President may by proclamation extend protection under this title to works of which one or more

of the authors is, on the date of first publication, a national, domiciliary, or sovereign authority of that nation, or which was first published in that nation. The President may revise, suspend, or revoke any such proclamation or impose any conditions or limitations on protection under a proclamation.

17 USC 105.

§ 105. Subject matter of copyright: United States Government works

Copyright protection under this title is not available for any work of the United States Government, but the United States Government is not precluded from receiving and holding copyrights transferred to it by assignment, bequest, or otherwise.

17 USC 106.

§ 106. Exclusive rights in copyrighted works

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

17 USC 107.

§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

17 USC 108.

§ 108. Limitations on exclusive rights: Reproduction by libraries and archives

(a) Notwithstanding the provisions of section 106, it is not an infringement of copyright for a library or archives, or any of its employees acting within the scope of their employment, to reproduce no more than one copy or phonorecord of a work, or to distribute such copy or phonorecord, under the conditions specified by this section, if—

(1) the reproduction or distribution is made without any purpose of direct or indirect commercial advantage;

(2) the collections of the library or archives are (i) open to the public, or (ii) available not only to researchers affiliated with the library or archives or with the institution of which it is a part, but also to other persons doing research in a specialized field; and

(3) the reproduction or distribution of the work includes a notice of copyright.

(b) The rights of reproduction and distribution under this section apply to a copy or phonorecord of an unpublished work duplicated in facsimile form solely for purposes of preservation and security or for deposit for research use in another library or archives of the type described by clause (2) of subsection (a), if the copy or phonorecord reproduced is currently in the collections of the library or archives.

(c) The right of reproduction under this section applies to a copy or phonorecord of a published work duplicated in facsimile form solely for the purpose of replacement of a copy or phonorecord that is damaged, deteriorating, lost, or stolen, if the library or archives has, after a reasonable effort, determined that an unused replacement cannot be obtained at a fair price.

(d) The rights of reproduction and distribution under this section apply to a copy, made from the collection of a library or archives where the user makes his or her request or from that of another library or archives, of no more than one article or other contribution to a copyrighted collection or periodical issue, or to a copy or phonorecord of a small part of any other copyrighted work, if—

(1) the copy or phonorecord becomes the property of the user, and the library or archives has had no notice that the copy or phonorecord would be used for any purpose other than private study, scholarship, or research; and

(2) the library or archives displays prominently, at the place where orders are accepted, and includes on its order form, a warning of copyright in accordance with requirements that the Register of Copyrights shall prescribe by regulation.

(e) The rights of reproduction and distribution under this section apply to the entire work, or to a substantial part of it, made from the collection of a library or archives where the user makes his or her request or from that of another library or archives, if the library or archives has first determined, on the basis of a reasonable investigation, that a copy or phonorecord of the copyrighted work cannot be obtained at a pair price, if—

(1) the copy or phonorecord becomes the property of the user, and the library or archives has had no notice that the copy or phonorecord would be used for any purpose other than private study, scholarship, or research; and

(2) the library or archives displays prominently, at the place where orders are accepted, and includes on its order form, a warning of copyright in accordance with requirements that the Register of Copyrights shall prescribe by regulation.

(f) Nothing in this section—

(1) shall be construed to impose liability for copyright infringement upon a library or archives or its employees for the unsupervised use of reproducing equipment located on its premises: *Provided*, That such equipment displays a notice that the making of a copy may be subject to the copyright law;

(2) excuses a person who uses such reproducing equipment or who requests a copy or phonorecord under subsection (d) from liability for copyright infringement for any such act, or for any later use of such copy or phonorecord, if it exceeds fair use as provided by section 107;

compilation of pictorial, graphic, or sculptural works, or the unauthorized use of any portion of an audiovisual work.

"Public broadcasting entity."
47 USC 397.

(g) As used in this section, the term "public broadcasting entity" means a noncommercial educational broadcast station as defined in section 397 of title 47 and any nonprofit institution or organization engaged in the activities described in clause (2) of subsection (d).

Chapter 2.—COPYRIGHT OWNERSHIP AND TRANSFER

Sec.

201. Ownership of copyright.
202. Ownership of copyright as distinct from ownership of material object.
203. Termination of transfers and licenses granted by the author.
204. Execution of transfers of copyright ownership.
205. Recordation of transfers and other documents.

17 USC 201.

§ 201. Ownership of copyright

(a) INITIAL OWNERSHIP.—Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.

(b) WORKS MADE FOR HIRE.—In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

(c) CONTRIBUTIONS TO COLLECTIVE WORKS.—Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.

(d) TRANSFER OF OWNERSHIP.—

(1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.

(2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.

(e) INVOLUNTARY TRANSFER.—When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect under this title.

17 USC 202.

§ 202. Ownership of copyright as distinct from ownership of material object

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of

ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

§ 203. Termination of transfers and licenses granted by the author 17 USC 203.

(a) CONDITIONS FOR TERMINATION.—In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by one author, termination of the grant may be effected by that author or, if the author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest. In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it; if any of such authors is dead, the termination interest of any such author may be exercised as a unit by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, by his widow or her widower and his or her children or grandchildren as follows:

(A) the widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest;

(B) the author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them;

(C) the rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

(4) The termination shall be effected by serving an advance notice in writing, signed by the number and proportion of owners of termination interests required under clauses (1) and (2) of this subsection, or by their duly authorized agents, upon the grantee or the grantee's successor in title. Notice.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

Chapter 3.—DURATION OF COPYRIGHT

Sec.
301. Preemption with respect to other laws.
302. Duration of copyright: Works created on or after January 1, 1978.
303. Duration of copyright: Works created but not published or copyrighted before January 1, 1978.
304. Duration of copyright: Subsisting copyrights.
305. Duration of copyright: Terminal date.

17 USC 301.

§ 301. Preemption with respect to other laws

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or

(2) any cause of action arising from undertakings commenced before January 1, 1978; or

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

(c) With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2047. The preemptive provisions of subsection (a) shall apply to any such rights and remedies pertaining to any cause of action arising from undertakings commenced on and after February 15, 2047. Notwithstanding the provisions of section 303, no sound recording fixed before February 15, 1972, shall be subject to copyright under this title before, on, or after February 15, 2047.

(d) Nothing in this title annuls or limits any rights or remedies under any other Federal statute.

17 USC 302.

§ 302. Duration of copyright: Works created on or after January 1, 1978

(a) In General.—Copyright in a work created on or after January 1, 1978, subsists from its creation and, except as provided by the following subsections, endures for a term consisting of the life of the author and fifty years after the author's death.

(b) Joint Works.—In the case of a joint work prepared by two or more authors who did not work for hire, the copyright endures for a term consisting of the life of the last surviving author and fifty years after such last surviving author's death.

(c) Anonymous Works, Pseudonymous Works, and Works Made for Hire.—In the case of an anonymous work, a pseudonymous work, or a work made for hire, the copyright endures for a term of seventy-five years from the year of its first publication, or a term of one hundred years from the year of its creation, whichever expires first. If, before the end of such term, the identity of one or more of the authors of an anonymous or pseudonymous work is revealed in the records of a registration made for that work under subsections (a) or (d) of section 408, or in the records provided by this subsection,

the copyright in the work endures for the term specified by subsection (a) or (b), based on the life of the author or authors whose identity has been revealed. Any person having an interest in the copyright in an anonymous or pseudonymous work may at any time record, in records to be maintained by the Copyright Office for that purpose, a statement identifying one or more authors of the work; the statement shall also identify the person filing it, the nature of that person's interest, the source of the information recorded, and the particular work affected, and shall comply in form and content with requirements that the Register of Copyrights shall prescribe by regulation.

(d) RECORDS RELATING TO DEATH OF AUTHORS.—Any person having an interest in a copyright may at any time record in the Copyright Office a statement of the date of death of the author of the copyrighted work, or a statement that the author is still living on a particular date. The statement shall identify the person filing it, the nature of that person's interest, and the source of the information recorded, and shall comply in form and content with requirements that the Register of Copyrights shall prescribe by regulation. The Register shall maintain current records of information relating to the death of authors of copyrighted works, based on such recorded statements and, to the extent the Register considers practicable, on data contained in any of the records of the Copyright Office or in other reference sources. Recordkeeping.

(e) PRESUMPTION AS TO AUTHOR'S DEATH.—After a period of seventy-five years from the year of first publication of a work, or a period of one hundred years from the year of its creation, whichever expires first, any person who obtains from the Copyright Office a certified report that the records provided by subsection (d) disclose nothing to indicate that the author of the work is living, or died less than fifty years before, is entitled to the benefit of a presumption that the author has been dead for at least fifty years. Reliance in good faith upon this presumption shall be a complete defense to any action for infringement under this title.

§ 303. Duration of copyright: Works created but not published or copyrighted before January 1, 1978 17 USC 303.

Copyright in a work created before January 1, 1978, but not theretofore in the public domain or copyrighted, subsists from January 1, 1978, and endures for the term provided by section 302. In no case, however, shall the term of copyright in such a work expire before December 31, 2002; and, if the work is published on or before December 31, 2002, the term of copyright shall not expire before December 31, 2027.

§ 304. Duration of copyright: Subsisting copyrights 17 USC 304.

(a) COPYRIGHTS IN THEIR FIRST TERM ON JANUARY 1, 1978.—Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for twenty-eight years from the date it was originally secured: *Provided*, That in the case of any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or of any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire, the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of forty-seven years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further*, That in the case of any other

respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.

(D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.

17 USC 305.

§ 305. Duration of copyright: Terminal date

All terms of copyright provided by sections 302 through 304 run to the end of the calendar year in which they would otherwise expire.

Chapter 4.—COPYRIGHT NOTICE, DEPOSIT, AND REGISTRATION

Sec.
401. Notice of copyright: Visually perceptible copies.
402. Notice of copyright: Phonorecords of sound recordings.
403. Notice of copyright: Publications incorporating United States Government works.
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405. Notice of copyright: Omission of notice.
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408. Copyright registration in general.
409. Application for copyright registration.
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411. Registration as prerequisite to infringement suit.
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17 USC 401.

§ 401. Notice of copyright: Visually perceptible copies

(a) General Requirement.—Whenever a work protected under this title is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section shall be placed on all publicly distributed copies from which the work can be visually perceived, either directly or with the aid of a machine or device.

(b) Form of Notice.—The notice appearing on the copies shall consist of the following three elements:

(1) the symbol © (the letter C in a circle), or the word "Copyright", or the abbreviation "Copr."; and

(2) the year of first publication of the work; in the case of compilations or derivative works incorporating previously published material, the year date of first publication of the compilation or derivative work is sufficient. The year date may be omitted where a pictorial, graphic, or sculptural work, with accompanying text matter, if any, is reproduced in or on greeting cards, postcards, stationery, jewelry, dolls, toys, or any useful articles; and

(3) the name of the owner of copyright in the work, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner.

(c) POSITION OF NOTICE.—The notice shall be affixed to the copies in such manner and location as to give reasonable notice of the claim of copyright. The Register of Copyrights shall prescribe by regulation, as examples, specific methods of affixation and positions of the notice on various types of works that will satisfy this requirement, but these specifications shall not be considered exhaustive.

§ 402. Notice of copyright: Phonorecords of sound recordings 17 USC 402.

(a) GENERAL REQUIREMENT.—Whenever a sound recording protected under this title is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section shall be placed on all publicly distributed phonorecords of the sound recording.

(b) FORM OF NOTICE.—The notice appearing on the phonorecords shall consist of the following three elements:

(1) the symbol ℗ (the letter P in a circle); and

(2) the year of first publication of the sound recording; and

(3) the name of the owner of copyright in the sound recording, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner; if the producer of the sound recording is named on the phonorecord labels or containers, and if no other name appears in conjunction with the notice, the producer's name shall be considered a part of the notice.

(c) POSITION OF NOTICE.—The notice shall be placed on the surface of the phonorecord, or on the phonorecord label or container, in such manner and location as to give reasonable notice of the claim of copyright.

§ 403. Notice of copyright: Publications incorporating United States Government works 17 USC 403.

Whenever a work is published in copies or phonorecords consisting preponderantly of one or more works of the United States Government, the notice of copyright provided by sections 401 or 402 shall also include a statement identifying, either affirmatively or negatively, those portions of the copies or phonorecords embodying any work or works protected under this title.

§ 404. Notice of copyright: Contributions to collective works 17 USC 404.

(a) A separate contribution to a collective work may bear its own notice of copyright, as provided by sections 401 through 403. However, a single notice applicable to the collective work as a whole is sufficient to satisfy the requirements of sections 401 through 403 with respect to the separate contributions it contains (not including advertisements inserted on behalf of persons other than the owner of copyright in the collective work), regardless of the ownership of copyright in the contributions and whether or not they have been previously published.

(b) Where the person named in a single notice applicable to a collective work as a whole is not the owner of copyright in a separate

contribution that does not bear its own notice, the case is governed by the provisions of section 406(a).

17 USC 405.

§ 405. Notice of copyright: Omission of notice

(a) EFFECT OF OMISSION ON COPYRIGHT.—The omission of the copyright notice prescribed by sections 401 through 403 from copies or phonorecords publicly distributed by authority of the copyright owner does not invalidate the copyright in a work if—

(1) the notice has been omitted from no more than a relatively small number of copies or phonorecords distributed to the public; or

(2) registration for the work has been made before or is made within five years after the publication without notice, and a reasonable effort is made to add notice to all copies or phonorecords that are distributed to the public in the United States after the omission has been discovered; or

(3) the notice has been omitted in violation of an express requirement in writing that, as a condition of the copyright owner's authorization of the public distribution of copies or phonorecords, they bear the prescribed notice.

(b) EFFECT OF OMISSION ON INNOCENT INFRINGERS.—Any person who innocently infringes a copyright, in reliance upon an authorized copy or phonorecord from which the copyright notice has been omitted, incurs no liability for actual or statutory damages under section 504 for any infringing acts committed before receiving actual notice that registration for the work has been made under section 408, if such person proves that he or she was misled by the omission of notice. In a suit for infringement in such a case the court may allow or disallow recovery of any of the infringer's profits attributable to the infringement, and may enjoin the continuation of the infringing undertaking or may require, as a condition or permitting the continuation of the infringing undertaking, that the infringer pay the copyright owner a reasonable license fee in an amount and on terms fixed by the court.

(c) REMOVAL OF NOTICE.—Protection under this title is not affected by the removal, destruction, or obliteration of the notice, without the authorization of the copyright owner, from any publicly distributed copies or phonorecords.

17 USC 406.

§ 406. Notice of copyright: Error in name or date

(a) ERROR IN NAME.—Where the person named in the copyright notice on copies or phonorecords publicly distributed by authority of the copyright owner is not the owner of copyright, the validity and ownership of the copyright are not affected. In such a case, however, any person who innocently begins an undertaking that infringes the copyright has a complete defense to any action for such infringement if such person proves that he or she was misled by the notice and began the undertaking in good faith under a purported transfer or license from the person named therein, unless before the undertaking was begun—

(1) registration for the work had been made in the name of the owner of copyright; or

(2) a document executed by the person named in the notice and showing the ownership of the copyright had been recorded.

The person named in the notice is liable to account to the copyright owner for all receipts from transfers or licenses purportedly made under the copyright by the person named in the notice.

(b) ERROR IN DATE.—When the year date in the notice on copies or phonorecords distributed by authority of the copyright owner is earlier than the year in which publication first occurred, any period

computed from the year of first publication under section 302 is to be computed from the year in the notice. Where the year date is more than one year later than the year in which publication first occurred, the work is considered to have been published without any notice and is governed by the provisions of section 405.

(c) OMISSION OF NAME OR DATE.—Where copies or phonorecords publicly distributed by authority of the copyright owner contain no name or no date that could reasonably be considered a part of the notice, the work is considered to have been published without any notice and is governed by the provisions of section 405.

§ 407. Deposit of copies or phonorecords for Library of Congress 17 USC 407.

(a) Except as provided by subsection (c), and subject to the provisions of subsection (e), the owner of copyright or of the exclusive right of publication in a work published with notice of copyright in the United States shall deposit, within three months after the date of such publication—

(1) two complete copies of the best edition; or

(2) if the work is a sound recording, two complete phonorecords of the best edition, together with any printed or other visually perceptible material published with such phonorecords.

Neither the deposit requirements of this subsection nor the acquisition provisions of subsection (e) are conditions of copyright protection.

(b) The required copies or phonorecords shall be deposited in the Copyright Office for the use or disposition of the Library of Congress. The Register of Copyrights shall, when requested by the depositor and upon payment of the fee prescribed by section 708, issue a receipt for the deposit.

(c) The Register of Copyrights may by regulation exempt any categories of material from the deposit requirements of this section, or require deposit of only one copy or phonorecord with respect to any categories. Such regulations shall provide either for complete exemption from the deposit requirements of this section, or for alternative forms of deposit aimed at providing a satisfactory archival record of a work without imposing practical or financial hardships on the depositor, where the individual author is the owner of copyright in a pictorial, graphic, or sculptural work and (i) less than five copies of the work have been published, or (ii) the work has been published in a limited edition consisting of numbered copies, the monetary value of which would make the mandatory deposit of two copies of the best edition of the work burdensome, unfair, or unreasonable. Exemption.

(d) At any time after publication of a work as provided by subsection (a), the Register of Copyrights may make written demand for the required deposit on any of the persons obligated to make the deposit under subsection (a). Unless deposit is made within three months after the demand is received, the person or persons on whom the demand was made are liable— Penalties.

(1) to a fine of not more than $250 for each work; and

(2) to pay into a specially designated fund in the Library of Congress the total retail price of the copies or phonorecords demanded, or, if no retail price has been fixed, the reasonable cost of the Library of Congress of acquiring them; and

(3) to pay a fine of $2,500, in addition to any fine or liability imposed under clauses (1) and (2), if such person willfully or repeatedly fails or refuses to comply with such a demand.

(e) With respect to transmission programs that have been fixed and transmitted to the public in the United States but have not been published, the Register of Copyrights shall, after consulting with the Librarian of Congress and other interested organizations and officials, Regulations.

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GENERAL GUIDE TO THE COPYRIGHT ACT OF 1976

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INTRODUCTION

The Copyright Act of 1976, Public Law 94-553 (90 Stat. 2541), is a general revision of the copyright law, Title 17, United States Code; it becomes fully effective on January 1, 1978. The new law supersedes the Copyright Act of 1909, as amended, and is the first extensive revision of the 1909 law.

Early in 1977 the Register of Copyrights established in the Copyright Office a Revision Coordinating Committee, chaired by the Register, to oversee the development and coordination of plans for implementation of the new law. The Committee recognized that an important part of this initial preparation was staff training and it asked Marybeth Peters, Senior Attorney-Adviser, to plan, organize, and conduct all internal training on the new law as well as to coordinate all training activities outside of the Copyright Office. As a result of her successful execution of the first part of this assignment, 260 staff members, in 15 sessions of one and one-half hours each, completed an intensive study of the new law; 125 other staff members participated a "mini-course". Ms. Peters, who has a teaching as well as a legal background, prepared all instructional materials and designed the format for both the short- and long-term courses.

Because Ms. Peters' instruction was basic and her "lesson plans" comprehensive, the Copyright Office received repeated requests for wider dissemination of her instructional materials. The Revision Coordinating Committee is responding to this demand by publishing Ms. Peters' guide. This general guide to the Copyright Act of 1976 is not an official summary of the law. It does not attempt to deal with all of the issues raised by the revision legislation nor to provide answers to legal questions. It is, however, an extensive training tool, the text of which follows the language used by Ms. Peters, with only a change in tense to avoid an appearance of obsolescence on January 1, 1978.

In developing the lectures and lesson plans, Ms. Peters relied heavily on the language of the law itself, the legislative reports, and the various statements of the Register of Copyrights to the Congress, i.e., the 1961 Report of the Register, 1965 Supplemental Report, and the 1975 Second Supplemental Report. Copies of these documents may be obtained by writing to the Copyright Office, Library of Congress, Washington, D.C. 20559. The fee for the 1961 Report of the Register is $.45 while the fee for the 1965 Supplementary Report is $1.00; there is no charge for the rest of the material.

THE VIEWS EXPRESSED IN THIS DOCUMENT ARE THOSE OF MS. PETERS AND DO NOT NECESSARILY REFLECT THE OFFICIAL VIEWS OF EITHER THE COPYRIGHT OFFICE OR THE LIBRARY OF CONGRESS.

Circular

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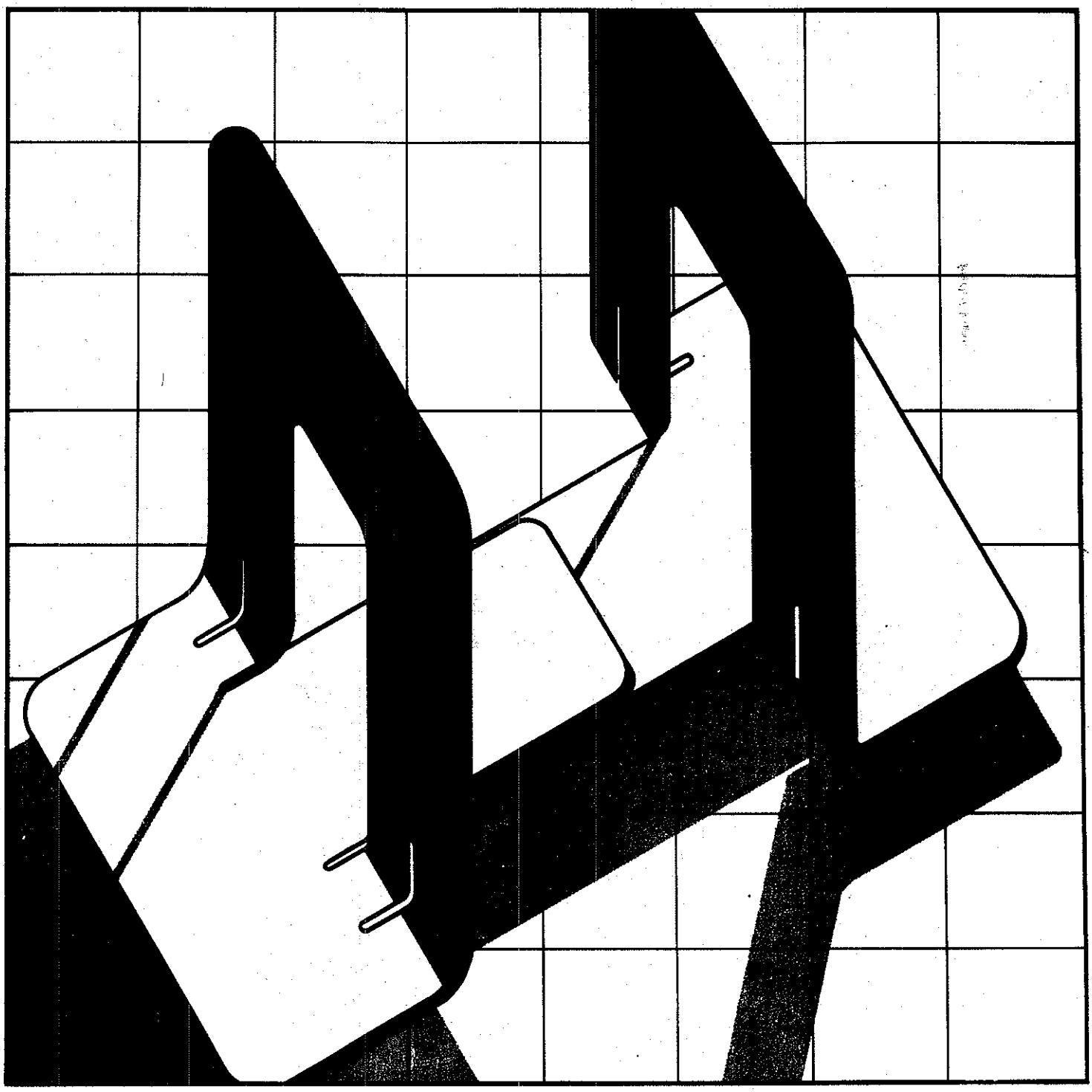
Publications on Copyright



NATIONAL COUNCIL OF UNIVERSITY RESEARCH ADMINISTRATORS

Introduction to

COPYRIGHT CLAUSES IN INDUSTRIAL RESEARCH AGREEMENTS

Workshop Materials - NCURA Intellectual Property Series - 1984

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Patent Rights under Government Contracts	2
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Introduction to

COPYRIGHT CLAUSES IN INDUSTRIAL RESEARCH AGREEMENTS

This paper is one unit in a series prepared by the sponsored program and patent offices at M.I.T. for use in their own professional development program and in the workshop on intellectual property at the 1984 NCURA annual meeting. The NCURA Committee on Professional Development is making it available to NCURA members who need a basic understanding of intellectual property in connection with the negotiation and administration of sponsored research agreements.

Copies of this and other units in the series may be obtained from NCURA Headquarters.

Other Guidance

This series is intended to provide university research administrators with only an introduction to the basic concepts of intellectual property. Those who require a more complete understanding of the subject will wish to study other materials cited herein or developed from time to time by such organizations as the Society of University Patent Administrators, the Licensing Executives Society, the COGR Committee on Patents, Copyrights and Rights in Data, and the National Association of College and University Attorneys.

User Feedback

This material is intended to be self-improving. Users are, therefore, invited to forward comments, suggestions and new materials for the next revision to:

Chairman, Committee on Professional Development
National Council of University Research Administrators
One Dupont Circle, N.W., Suite 618
Washington, D.C. 20036

Introduction to

COPYRIGHT CLAUSES IN INDUSTRIAL RESEARCH AGREEMENTS

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UNIVERSITY OWNERSHIP OF COPYRIGHTABLE MATERIALS

Most universities appear to have adopted the position that copyrightable materials generated in the course of sponsored research projects should be owned by the university with some form of license rights to the sponsor.

This may reflect concern over maintaining the integrity of the author's work and ensuring control over the institution's academic prerogatives with respect to publication and dissemination. It may also reflect the view that the copyright law is a vehicle for technology transfer, comparable in many respects to the patent law.

An institutional policy reflecting this philosophy is as follows:

> "Introduction: University retains the ownership of, and copyright in, all copyrightable materials first produced or composed in the performance of University research agreements, except that a sponsor is normally entitled to ownership of the physical embodiments of all such materials which are stipulated in the contract as deliverables. The sponsor is also normally entitled to a copyright license in all such materials, as defined below.
>
> "University believes that by retaining such ownership it can most effectively achieve the objectives of its copyright policy which, in most respects, parallel the objectives of its patent policy. These objectives include protecting the public interest, providing recognition to authors and their department and/or laboratory, and supporting University education and research programs with royalty income. Further, retention of copyright ownership by University will help to minimize conflicts arising from prior or concurrent Federal sponsorship with respect to rights in data.
>
> "In addition, University believes that the retention of copyright ownership will insure that the integrity of an author's work is protected in a way that will be of maximum benefit to the author, University and the public at large."

LICENSING OPTIONS

Use of all materials for any purpose

Some universities will provide the research sponsor with a royalty-free, non-exclusive license to use for any purpose all copyrightable materials generated in the performance of the research. The following clause is representative:

> "Copyrights. Title to and the right to determine the disposition of any copyrights, or copyrightable materials, first produced or composed in the performance of the research shall remain with the university; provided, however, that the university shall grant the sponsor an irrevocable, royalty-free, nonexclusive license to reproduce, translate, perform, and distribute for any purpose whatsoever, all such copyrighted materials."

As set forth above the basic clause would apply to software (including computer data bases and supporting documentation). Some universities, however, exclude software from the operation of the clause, particularly when the software is not a deliverable under the contract but an incidental by-product or a tool used for the conduct of the research.

Use of software for sponsor internal purposes only

Because of the technology transfer potential and commercial possibilities of computer-related materials, some universities as noted above, differentiate them from other copyrightable material, particularly if they are not a deliverable but only a by-product of the research, and license them in a manner similar to patents.

Where this is the case, the sponsor could be granted the right to use the material for its own internal purposes only, and possibly for the use of its subsidiaries. As is the case with nonexclusive patent licenses to sponsors, some universities will grant this right royalty-free, while others believe that some royalty payment should be made.

The most likely situation in which a royalty would be sought is that in which the sponsor is dominant in the market, so that the granting of a royalty-free, non-exclusive license would preclude the university from licensing the work to others for any significant royalties.

Providing the sponsor with a license to copyrightable data bases, software and documentation may be accomplished by adding a clause such as the following to the basic copyright clause:

> "...except, however that with respect to copyrightable computer data bases, software and docmentation, the university shall grant the sponsor an irrevocable, royalty-free (or royalty-bearing),

non-exclusive license to use, reproduce, translate, display and perform such copyrightable materials for the internal purposes of the sponsor and of the sponsor's subsidiaries, but not including the right to sell, distribute or license the materials to others, either independently or in conjunction with the sale of hardware or other software."

As stated, the sponsor in this case would have the right to use the software in connection with product design, manufacturing processes, etc., but would not have the right to sell the software outright as a product, license it to others, or use it as part of hardware or other software products which it sells. The university, therefore, is free to license the software out of its portfolio to others for royalties.

Non-exclusive license to distribute and sublicense

In the previous section, we have discussed licensing the sponsor for internal operations only and reserving the right to license third prties.

Some industrial sponsors, however, may wish to receive a license which permits them to sell and to distribute the copyrighted material either by itself or in conjunction with sponsor's hardware, and/or to sublicense others for the same purposes, or to use the material in consulting services normally offered to the public. Licenses for this type of activity would be granted to the sponsor on terms and conditions, including reasonable royalty rates, to be negotiated.

It should be noted that the licensing of such materials on a non-exclusive basis with the right to sublicense differs from patent licensing in which the right to sublicense is normally granted only in connection with exclusive licenses.

Where it is appropriate to grant the sponsor a royalty-bearing non-exclusive license to use copyrighted software and related material in that part of its business offered to the public, or in conjunction with its products, this may be accomplished by adding a clause such as the following to the basic copyright clause:

"...except, however, that with respect to copyrightable data bases, software and documentation, the university shall grant to the sponsor a non-exclusive, royalty-bearing right to use, reproduce, translate, display, perform, distribute, sell and sublicense commercially for any purposes whatsoever, such materials at such royalty rates and upon such other terms and condition as may be negotiated in good faith by the parties."

Exclusive licenses

Exclusive licenses to computer data bases, software, and documentation are less commonly granted to sponsors than exclusive licenses for patents, and are more likely to be found where the university is licensing a software company to manage, maintain, distribute and sublicense its software commercially. Under an exclusive license, due diligence require-

ments, performance milestones, and minimum annual royalties are likely to be included in the same manner as with exclusive patent licenses.

Derivative works

In Unit 6 of this series we reviewed the subject matter of copyrights, including Section 103 of the Copyright Act, which deals with compilations and derivative works.

The right to prepare derivative works is one of the copyright owner's basic rights under the Act and may be specifically conveyed if the university wishes. It greatly enhances the value of the license right granted to the sponsor by allowing the sponsor to write new software based on the original work which is the subject of the license.

Permitting a sponsor to prepare derivative works to software licensed only for internal operations is of some value and is often included in the sponsor's licensing rights. It is of greatest value, however, to a sponsor that wishes to adapt software for a particular piece of equipment which it manufactures or sells, or to a sponsor that is in the business of enhancing basic software so that it may be used by a broader customer base.

Since the writing of derivative works may dilute the value and integrity of the original work, the university may wish to give careful consideration before granting this right to the sponsor and appropriately reflect it in the license fee or royalty rates established.

In the clauses cited in the previous two sections, the right to prepare derivative works can be granted by adding the following phrase to the list of rights granted:

"...including the right to prepare derivative works,"

Option agreements

The copyright clauses cited above refer simply to the granting of a license, or to the granting of a license at reasonable royalties and on terms to be negotiated. This is also common in patent clauses.

Some sponsors will wish, however, to know in more detail what the rates and terms may be. In some cases they may ask to review a standard university copyright licensing agreement, which may satisfy such sponsors without the need for further contractual language to specify rates and terms. In some cases, as in patents, they may wish the principal terms of the software license to be defined in the contract.

Another approach in use at a few universities is to actually negotiate an option to acquire a license and sign the option agreement at the same time as the research contract. The option agreement spells out the nature of the option right and license, and the terms and conditions which will apply, to the extent that is feasible prior to identifying the copyrightable material. Where this approach is used, the following clause

is typical and the option agreement would cover the specifics:

> "Copyright. (a) Copyright in materials, including computer software, created or fixed in a tangible medium of expression during the performance of the work funded under this Agreement shall vest in the University. To the extent that the University has the legal right to do so, University shall grant sponsor an option to license the materials on reasonable terms and conditions, including reasonable royalties, as the parties shall mutually agree in writing."

Some universities which treat research contracts as public documents except for business details, such as royalty-rates, prefer to cover such details in a separate option agreement.

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Introduction to

UNIVERSITY COPYRIGHT POLICIES

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GUIDELINES FOR DEVELOPING COPYRIGHT POLICIES

"Copyrights at Colleges and Universities," a chapter from the NACUBO Administrative Services, which is reproduced hereafter, was prepared by the Subcommittee on Patents, Copyrights, and Rights in Data of the NACUBO Council on Governmental Relations and Revised in 1980 to reflect the Copyright Revision Act of 1976. Its purpose is to assist colleges and universities in developing policies and procedures on copyrights.

The Guide suggests that in developing its copyright policies, an institution consider:

1. Definition of copyrightable materials.

2. Statement of policy concerning disposition of rights to copyrightable materials within the framework of the following suggested categories:

   a. Individual Effort (including institution-assisted)

   b. Institution-Supported Efforts

   c. Sponsor-Supported Efforts

3. Determination of equities, i.e., income resulting from royalties or assignment of copyrighted materials in terms of the categories in 2. above.

4. Copyright Administration.

In order to illustrate the manner in which these elements have been reflected in university policies, we have reproduced those of Stanford University and MIT in this part They have been selected solely because they illustrate differences in approach which are useful for purposes of comparison.

The Stanford University policy is a particularly broad and comprehensive one in that it not only deals with both research and instructional activities, but also addresses the principal features of the Copyright Act and copyright terms, contains guidelines for the application of the law and of Stanford policy to specific situations and types of materials, and provides a fairly complete statement of administrative considerations. It is, in effect, not only a statement of policy and procedure but also an educational document.

The MIT statement, on the other hand, is more narrowly drawn. It focuses primarily on disposition of rights in terms of the source of support and spells out its royalty sharing policy. (Discussion of the copyright law as such, its relation to instructional activities, and its implementation is contained in separate MIT memoranda and regulations distributed shortly after the copyright revisions of 1976.

Copyrights at Colleges and Universities

The expanding use of new and developing media in the teaching-learning processes has involved colleges and universities in a broad, complex spectrum of copyright issues. However, many institutions do not have adequate statements of copyright policies and procedures. The academic community traditionally has been most protective of the rights of authors' literary, dramatic, musical, artistic, and other intellectual works. When these works are original and presented by the author in a tangible medium of expression, they are protected by copyrights.

In addition to these traditional works, colleges and universities are increasingly concerned with the use of new media that generate or draw on a wide variety of materials that may be protected by copyright. These include films, television programs, cassettes, programmed learning materials, computer-assisted instruction, and computer programs. The generation of such materials is often a joint enterprise involving the ideas and talents of individual faculty members, the use of institutional facilities and equipment, and in many instances financial support from the institution or an outside sponsor. As both a generator and a user of these copyrightable materials, a college or university may face problems focusing on issues such as academic freedom, faculty rights, faculty accountability, release time, teaching credit, sponsor requirements, and the determination of rights to copyrightable materials. The income from royalties for some copyrightable materials can be significant.

The sponsor supporting a program that generates copyrightable material may stipulate specific conditions with respect to copyrights and royalty income. The U.S. Office of Education, in outlining its copyright policies in *Copyright Program Information,* 1971, made the following statement: "Universities particularly should establish written policies setting forth the respective rights of the university and its staff members in anticipated copyright royalties."

New curriculums and course materials are being developed continually for use with new media for communications and learning. Colleges and universities will be confronted with increasingly complex problems relating to copyrights and royalties on these materials. To protect the rights of the individual and the institution, it is important that colleges and universities develop well-conceived policies and procedures to govern the determination of rights to copyrightable materials.

Copyright Considerations

Scope of the Copyright

Statutory copyright is based on laws enacted by Congress. The U.S. Constitution gives Congress the power to enact laws relating to copyrights. Article 1, Section 8, states, "Congress shall have power...to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." Under this power, Congress has enacted various laws relating to copyrights, the most recent being the Copyright Revision Act of 1976, P.L. 94-553, effective January 1, 1978.

Under current copyright laws, a work must be original and fixed in a tangible medium of expression to be copyrightable; it is not necessary that the work be novel, as is the case with an invention. The copyright is applied to the form of expression rather than to its subject matter. A description of

a machine could be copyrighted as a writing, but this would only prevent others from copying the description; it would not prevent others from writing their own descriptions or from making and using the machine.

Copyright Transfer

A copyright may be assigned, transferred, limited, or licensed by a written agreement signed by the author or the owner of the copyright. Unless specified in the agreement, transfer of a manuscript or a material object does not transfer the underlying rights to the manuscript. Similarly, transfer of ownership of a copyrighted work does not convey any rights in the material object.

Copyright Registration

Copyright protection can be claimed by the author or those authorized by him or her to assert this right. Works produced by an individual employed specifically for their production are normally copyrightable by the employer as a "work made for hire" and not by the author-employee. A copyright is registered by submitting an application for registration to the Copyright Office in the Library of Congress. Registration is a prerequisite to bringing an action for copyright infringement and may be done at any time during the term of copyright, but registration is not a condition of copyright protection. Copyright registration is obtained by delivering to the Copyright Office (1) the deposit copy or copies of the work, as required by the type of copyright protection sought, (2) an application in the form prescribed, and (3) a small fee. The Copyright Office receives the application and on finding that the material is copyrightable registers the claim and issues to the applicant a certificate of registration. Copies that are deposited without an application and registration fee will satisfy only the deposit requirements for the Library of Congress. Forms for registering copyrightable material of several media may be obtained from: Register of Copyrights, U.S. Copyright Office, Washington, D.C. 20559.

The revised copyright law (Public Law 94-553, October 19, 1976) provides protection to both published and unpublished works of authors without regard to national origin, thereby preempting common law state copyright.

Rights of Copyright Owner

The right of copyright arises when the author fixes his or her original work in any tangible medium of expression. While notice is still required for published works, it is no longer a prerequisite to obtaining protection. The owner of a copyright has the right of reproduction, derivation, distribution, performance, and public display.

The 1976 act provides broad guidelines for determining whether or not the rights of a copyright owner are subject to fair use, which permits limited use and reproduction for certain purposes. The guidelines of the Congressional Conference Committee should be consulted for specific examples of minimum fair-use copying.

The owner of a copyrighted sound recording has the exclusive right to reproduce it, to prepare derivative works, and to distribute it. This exclusivity does not extend to the right to perform the work publicly; pending legislation may provide this right. The new act incorporates the 1972 law on sound recordings including the copyright symbol ℗.

There is no renewal feature wherein the copyright reverts to either the author or specified beneficiaries, except for those works already in their first term prior to January 1, 1978. After that date, the author or heirs may terminate a transfer made other than by will after 35 years from the date of the grant by serving written notice within a five-year period thereafter. If the grant covers the right of publication, termination may be effected 35 years from the date of publication or 40 years from the date of the grant, whichever is shorter. Such termination may be effected notwithstanding any agreement to the contrary; the copyright is divisible and each separate right has the right of termination. If not so terminated, the grant of copyright continues in effect for the term of the copyright.

Works made for hire and derivative works have no termination rights. Derivative works may continue to be used but no new derivative work may be prepared after termination.

Sole or Joint Copyright Ownership. Copyright ownership may be sole or joint; the intention of the authors determines this. Unless the intention is to create a unitary whole into which two or more

authors merge their contributions, the works of more than one author form a collective work. If there is no express written agreement, the owner of a copyright in a collective work has rights limited to the material contributed by the author of such work and the privilege of reproducing and distributing the contribution of other authors as part of the particular collective work or revision of that work. In the case of a "work for hire," which is defined as a work prepared by an employee within the scope of his or her employment or a commissioned work, the employer is the original author or owner unless the parties have agreed otherwise in a written statement.

Duration of Copyright

The duration of copyright is as follows: Works created on or after January 1, 1978, exist from *creation* and have a duration of life of the author plus 50 years. If there are joint authors, then duration is for life of the last surviving author plus 50 years. In the case of anonymous works or works made for hire, the term is 75 years from the year of first publication, or 100 years from creation, whichever is shorter.

In the case of works already under statutory protection, the term is 28 years plus 47 years, for a total of 75 years. Works in their first copyright term must be renewed in the 28th year. However, if the copyright was renewed between December 31, 1976 and December 31, 1977, the term is automatically extended for a total term of 75 years.

Works created prior to January 1, 1978, but not previously published or copyrighted have been accorded protection under the Copyright Act unless they are already in the public domain. A minimum duration of copyright is 25 years even though the same criteria (the life of the author plus 50 years, etc.) apply.

Although a published copyrighted work still requires notice, the placement of the notice has been liberalized so that the manner and location will be considered appropriate if they are within reasonable view. In addition, omission of the copyright notice or error in or omission of name or date may be corrected within certain time limits.

Infringement of Copyright

Only the legal or beneficial owner of the copyright has the right to institute an action for infringement. (Recordation of transfer is a prerequisite to bringing an infringement suit.) Remedies available include injunctions against further use; impoundment or destruction of material, damages and profits; and imposition of statutory damages in lieu of actual damages and profits. In the case of a civil suit for recovery of damages for willful infringement, damages of up to $50,000 may be awarded. Damage for infringement may be reduced to $100 in cases where an employee of a nonprofit educational institution or library is involved and where there is no reason to believe there would be copyright infringement. Where the offense of criminal infringement or private gain is proven, fines up to $50,000 and imprisonment for not more than two years for subsequent offenses may be imposed by the court. Fraudulent copies together with all usable plates, etc. are seized by and forfeited to the United States.

Compulsory Licensing

Chapter 8 of the new act creates the independent Copyright Royalty Tribunal, which is responsible for determining a fair and reasonable royalty where compulsory licensing is required. Such areas are noncommercial transmissions of published musical and graphic works by public broadcasters, performances of copyrighted music by jukeboxes, and transmissions of cable television.

MATERIALS SUBJECT TO COPYRIGHT

The following types of material, published or unpublished, may be subject to copyright:

1. Any written works, including books, journal articles, text, glossaries, bibliographies, study guides, laboratory manuals, syllabuses, tests, proposals.
2. Lectures, musical or dramatic compositions, and unpublished scripts.
3. Films, filmstrips, charts, transparencies, and other visual aids.
4. Video and audio tapes and cassettes.

5. Live video or audio broadcasts.
6. Programmed instruction materials.
7. Computer programs.
8. Pantomimes and choreographic works.
9. Pictorial, graphic, and sculptural works.
10. Sound recordings.
11. Other materials.

Although copyright law does not specifically mention computer programs, the U.S. Copyright Office has recognized since 1964 that computer programs are copyrightable, and numerous programs have been copyrighted. The National Commission on New Technological Use of Copyrighted Works recommended in 1978 that such recognition be continued.

Copyright Policy and Procedures

Colleges and universities recognize and encourage the publication of scholarly works as an inherent part of the educational mission. They also acknowledge the privilege of college or university personnel (faculty, staff, and students) to prepare, through individual initiative, articles, pamphlets, and books that are copyrighted and that may generate royalty income for the author. The variety and number of copyrightable materials that may be created in a college or university community have increased significantly in recent years as have the author-institution-sponsor relationships under which such materials are produced. Many institutions have well-defined patent policies and procedures, but few have adequate formal policies governing copyrights.

In setting copyright policy and procedures, an institution should consider the following:

1. Statement of institutional copyright policy.
2. Definition of copyrightable materials.
3. Determination of rights.
4. Determination of equities.
5. Copyright administration.

Most colleges and universities will find that copyrightable materials pose different policy and procedure problems than inventions do, so that separate policies and procedures should normally be adopted for copyrights and for patents. Policies and procedures developed for copyrightable materials should be consistent with or complementary to established institutional practices concerning inventions. Care should be taken to coordinate the copyright and publication requirements and patent requirements that may have been previously issued by the sponsoring agencies.

Statement of Institutional Copyright Policy

An institution seeking to clarify its position on the rights to and disposition of copyrightable material should develop a statement of copyright policy. This statement should be broad and it should be brief. Administrative procedures should be separate from the policy statement. The following topics may be included in the statement:

1. Recognition of the rights of college or university personnel (faculty, staff, and students), on their own individual initiative, to write or otherwise generate copyrightable materials to which they have the sole rights of ownership and disposition.
2. Disposition of rights to those materials generated as a result of assigned institutional duties or with support from a third-party sponsor.
3. Definition of royalty-sharing.
4. Description of the administrative body responsible for interpretation and administration of the copyright policy.

Definition of Copyrightable Materials

To guide faculty, staff, and students, an institution should define the types of copyrightable material covered by the copyright policy and interpret the provisions that apply to certain kinds of copyrightable materials. A list of types of materials is presented on page 3.

Determination of Rights

To determine the disposition of rights to copyrightable materials developed by college or university personnel, materials may be assessed within the framework of the following four categories:

Individual Effort. Rights to copyrightable material generated as a result of individual initiative, not as a specific college or university assignment and with only incidental use of the institution's facilities or resources, reside with the author.

Institution-Assisted Individual Effort. Where the college or university provides partial support of an individual effort resulting in copyrightable material by contributing significant faculty time, facilities, or institutional resources, it is reasonable to consider joint rights to ownership and disposition of these materials and a sharing of royalty income. A written agreement of joint ownership should be required. Some colleges or universities may find it desirable to merge this category with that of "Individual Effort," described above.

Institution-Supported Efforts. Ownership of copyrightable material specifically developed as a result of a written assigned college or university duty may reside with the institution, although sharing royalty income with the author may be appropriate in certain instances.

Sponsor-Supported Efforts. The grant or contract under which copyrightable materials are generated may specify provisions for the disposition of rights in these materials. These provisions should be determined at the time the agreement is negotiated. Persons who produce copyrightable materials under sponsor-supported projects should clearly understand their rights and obligations and, if so indicated, their agreement should be obtained before the institution enters into the contract or grant. Similarly, these persons should be aware of the appropriate terms and conditions before the work starts. Generally, the agreement between the sponsor and the institution will vest title to copyrightable materials in the college or university, with the sponsor retaining a royalty-free license for the sponsor's use. In other circumstances, the agreement may specify that the materials be placed in the public domain. (Such a requirement is normally undesirable from the standpoint of both the institution and the author.) Or the agreement may assign all rights to the institution, or may allow the sponsor to retain all rights. Even in exceptional situations, where the sponsor retains all rights, sharing of royalty income between the sponsor and the institution may be appropriate, particularly when the project involves institutional cost sharing. Thus, the nature and extent of the institution's ownership interest in copyrighted materials that are generated through sponsored programs are subject to policies and regulations of the sponsor.

The author, institution, and sponsor are often requested to relinquish rights to copyrighted articles submitted to scholarly and professional journals, many of which are copyrighted. Advance arrangements should be made with the publisher if the author, institution, or sponsor is to retain title or other rights to copyright of the material.

It is desirable to define in advance the disposition of rights to copyrightable materials generated through institution- or sponsor-supported efforts. The disposition of rights to materials developed through individual efforts partially assisted by an institution may prove more difficult to determine, particularly in advance.

Determination of Equities

The nature and extent of participation in income resulting from royalties or assignment of copyrighted materials can be determined by following the four categories of ownership described earlier.

Individual Effort and Institution-Assisted Individual Effort. Income derived from materials resulting from the individual initiative of college or university personnel should accrue to the author alone. However, when these individual efforts are significantly assisted by the use of institutional facilities or resources, the institution and the author may stipulate some degree of income sharing.

Institution-Supported Efforts. Where copyrighted materials are generated by a specific, assigned institutional duty, institutional policy may specify the college or university as sole recipient of the derived income. Many institutions have a royalty-sharing policy on patents, so an institution may similarly adopt a policy that provides for the crediting of part or all of the royalty from copyrightable materials to authors and academic departments. In some instances the institution may elect to grant or return copyrights to the author, even though the institution commissioned the work that generated the copyrightable materials.

Sponsor-Supported Efforts. If the development of the copyrighted materials is supported by a

sponsor, the college or university and the author must adhere to the conditions of the grant or contract. Income derived from copyrighted materials is handled in accordance with institutional policies unless special contractual or grant requirements prevail. In cases where the sponsor requires the return of part of the income derived from sales of sponsor-supported materials that are copyrighted, institutional cost sharing should be considered together with other factors in determining the distribution of such royalty income. If the institution receives all or part of the income derived from the sale of such sponsor-supported materials, this income normally would be handled in accordance with established institutional policies unless special sponsor requirements prevail.

In determining institutional policy on the disposition of royalty income, it may be desirable to consider identifying a portion of the derived income as a reserve to defray costs of future revisions or to implement the adoption of the copyrighted materials.

It is imperative that the disposition of copyrights and the royalty income aspects of institution- or sponsor-supported projects leading to copyrightable materials be examined thoroughly at the outset of the project and that a clear and mutually satisfactory written understanding be reached among the author, college or university, and sponsor.

Copyright Administration

It is beneficial for a college or university to develop well-defined and codified procedures for the governance of copyrightable materials developed by its personnel. The president of the university, or more generally some other appropriately designated authority, has the ultimate responsibility for decisions on copyright matters. It is usually advantageous to delegate responsibility and authority on copyright matters to an appropriate administrator, such as the institution's legal counsel, a vice president for research, the dean of the faculty, or another administrator. The statement of policies and procedures should define clearly the responsibilities and authority of the college or university copyright administrator. These duties may include providing assistance, guidance in obtaining a publisher, and other related services on copyright matters to the institution's personnel.

Adopted procedures should provide for the copyright administrator, the author, and other concerned parties to arrive at a mutually acceptable copyright agreement within the provisions of the institution's policy. One mechanism for negotiation of copyright matters is to use a three-member panel consisting of the author or the author's representative, the institution's copyright officer, and a third member agreed on by the first two. Alternatively, a copyright advisory committee may prove helpful in evaluating ownership, disposition, and distribution of royalty income relating to copyrightable materials. Whatever the procedure for administering copyright matters, there should be specific provisions for appeal.

College or university procedures may provide for prior review of all programs expected to generate copyrightable materials with full or significant partial support by the university or a sponsor in order that an advance determination can be made concerning rights, disposition, and income distribution. This review is normally accomplished by the intended authors, the copyright officer, and any others designated by institutional policy. A mutually acceptable advance agreement covering the determination of rights, disposition, and income distribution may be an important part of the project file for those projects producing copyrightable materials with partial or total support by the institution or by a sponsor. The advance agreement may be revised as the project progresses.

Alternatively, an institution may request an annual report from faculty and staff on all copyrightable material generated during the reporting period. Those materials developed with partial or full institutional or sponsor support should be reviewed by the copyright officer and by others designated by college or university procedures to make recommendations on the disposition of rights to copyrightable material and income participation.

If an institution adopts specific policies and procedures relative to the rights, disposition, and income distribution relating to copyrightable materials, it may be desirable to incorporate

reference to these provisions in employment contracts where appropriate.

Faculty and staff should be encouraged to participate in formulating institutional copyright policies and procedures. Faculty and staff can also be involved in the governance of copyright matters to insure that policies and procedures are equitable and workable. The nature and extent of student participation in copyright policies and procedures may vary with the institution and its policy on copyrightable material generated by students.

In designing and implementing institutional policies and procedures for copyrightable materials, care must be taken to protect the initiative and rights of individual authors. Similarly, consideration should be given to copyrightable work that is the result of a group effort. These policies and procedures should reasonably insure the requisite control and accountability by the university for resources allocated to partial or full support of university personnel engaged in producing copyrightable materials.

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Copyrightable Materials and Other Intellectual Property

This Guide Memo describes Stanford policies and associated administrative procedures for copyrightable materials and other intellectual property. Its objectives are:

- To enable the University to foster the free and creative expression and exchange of ideas and comment;
- To preserve traditional University practices and privileges with respect to the publication of scholarly works;
- To establish principles and procedures for sharing income derived from copyrightable material produced at the University; and
- To protect the University's assets and imprimatur.

Section headings for this Guide Memo are:

1. COPYRIGHT POLICY
2. ADMINISTRATION OF POLICY
3. OTHER INTELLECTUAL PROPERTY
4. TANGIBLE RESEARCH PROPERTY
5. EXPLANATION OF TERMS

1. COPYRIGHT POLICY

a. General Policy Statement — Copyright is the ownership and control of the intellectual property in original works of authorship which is subject to copyright law. It is the policy of the University that all rights in copyright shall remain with the creator unless the work is a work for hire (and copyright vests in the University under copyright law), is supported by a direct allocation of funds through the University for the pursuit of a specific project, is commissioned by the University, or is otherwise subject to contractual obligations.

b. Books, Articles, and Similar Works — In keeping with tradition, the University does not claim ownership of books, articles, and similar works, the intended purpose of which is to disseminate the results of academic research or scholarly study. Such works include those of students created in the course of their education, such as dissertations, papers and articles. Similarly, the University claims no ownership of popular nonfiction, novels, poems, musical compositions, or other works of artistic imagination which are not institutional works. If title to copyright in works defined within this section 1.b. vests in the University by law, the University will, upon request and to the extent consistent with its legal obligations, convey copyright to the creators of such works.

c. Institutional Works — The University shall retain ownership of works created as institutional rather than personal efforts — that is, works created for University purposes in the course of the creator's employment. For instance, work assigned to staff programmers is "work for hire" as defined by law (regardless of whether the work is in the course of sponsored research, unsponsored research, or non-research activities), as is software developed at the Center for Information Technology or Research Libraries Group, and the University owns all rights, intellectual and financial, in such works.

d. **Scholarly Projects Specifically Funded by Sponsored Agreements or Other University Funds** — All individuals who participate in sponsored agreements or other research or scholarly projects specifically supported by University funds must sign an Agreement with the University (Form SU-18, as amended) under which copyrightable works resulting from such projects are assigned to the University except as provided under paragraph b. above. Subject to sections b. and c. above and g. below, and to the provisions of the Agreement, royalty income received by the University for such works will normally be distributed in accordance with University policy (see section 2.b.iii. below). Copyrightable works may also be subject to the University's policies on Tangible Research Property (see Guide Memo 77).

e. **Commissioned Works of Non-employees** — Under the Copyright Act, commissioned works of non-employees are owned by the creator and not by the commissioning party, unless there is a written agreement to the contrary. University personnel must, therefore, generally require contractors to agree in writing that ownership is assigned to the University.

Examples of works which the University may commission non-employees to prepare are:

- Illustrations or designs
- Artistic works
- Architectural or engineering drawings
- Forewords and introductions
- Computer software
- Reports by consultants or subcontractors

f. **Videotaping and Related Classroom Technology** — Any videotaping, broadcasting, or televising of classroom, laboratory, or other instruction, and any associated use of computers, must be approved in advance by the cognizant academic dean (or, in the case of SLAC, by the Director), who shall determine the conditions under which such activity may occur and, in conjunction with the Vice Provost and Dean for Graduate Studies and Research, resolve questions of ownership, distribution and policy.

g. **Contractual Obligations of the University** — The University in all events shall have the right to perform its obligations with respect to copyrightable works, data, prototypes and other intellectual property under any contract, grant, or other arrangement with third parties, including sponsored research agreements, license agreements and the like.

NOTE: University resources are to be used solely for University purposes and not for personal gain or personal commercial advantage, nor for any other non-University purposes.

2. ADMINISTRATION OF POLICY

a. **Determinations of Ownership and Policy in Unclear Cases** — Questions of ownership or other matters pertaining to materials covered by this Guide Memo shall be resolved by the cognizant vice president or designee in consultation with the Sponsored Projects Office and the General Counsel's Office. The Vice Provost and Dean of Graduate Studies and Research is the designee of the Provost, who is the cognizant vice president for all University research, scholarship and education.

b. **Licensing and Income Sharing** —

i. **Licensing** — Computer databases, software and firmware, and other copyrightable works owned by the University, are licensed through its Office of Technology Licensing. Exceptions to this procedure must be approved in advance by the Vice Provost and Dean

of Graduate Studies and Research.

ii. **Proprietary Protection** — The Office of Technology Licensing seeks the most effective means of technology transfer for public use and benefit. To that end, the Director will determine whether to apply for patent protection in addition to or instead of copyright with respect to particular software, firmware or other computer-related copyrightable materials owned by or assigned to the University.

iii. **Royalty Distribution** — If patent protection is being sought, distribution of royalties will be handled in accordance with the University's Patent Policy (Guide Memo 75). If copyright protection alone is claimed, royalties will normally be allocated in a similar manner, with the "inventor's share" allocated among individuals identified by the Director of the Office of Technology Licensing, in consultation with the principal investigator (or department head if not under a sponsored agreement), based on their relative contributions to the work. The Director may, after consultation, conclude that any royalty distribution to individuals would be impracticable or inequitable, however (for example, when the copyrightable material has been developed as a laboratory project, or where individual royalty distribution could distort academic priorities). In such cases, the "inventor's share" may be allocated to a research or educational account in the laboratory where the copyrightable material was developed. Such determination will be made on a case-by-case basis by the Director of the Office of Technology Licensing after consultation with the principal investigator or department head, and is subject to the approval of the Vice Provost and Dean of Graduate Studies and Research.

iv. **Assignments** — No assignment, license or other agreement may be entered with respect to copyrighted works owned by the University except by an official specifically authorized to do so.

Questions regarding licensing and royalty-sharing should be addressed to the Office of Technology Licensing.

c. **Use of the University Name in Copyright Notices** — If copyrightable materials are published without a copyright notice, the copyright may be lost and the work may enter the public domain. The following notice on University-owned materials will protect the copyright:

Copyright © [year] The Board of Trustees of The Leland Stanford Junior University. All Rights Reserved.

No other institutional or departmental name is to be used in the copyright notice, although the name and address of the department to which readers can direct inquiries may be listed below the copyright notice. The date in the notice should be the year in which the work is first published, i.e., distributed to the public or any sizeable audience.

Additionally, works should be registered with the United States Copyright Office using its official forms. Forms may be obtained from the General Counsel's Office, to which questions concerning copyright notices and registration also may be addressed.

d. **Copyright Agreements** — The University may require faculty, staff, students, visiting scholars and/or other research participants to sign agreements implementing this Guide Memo as a condition of employment or as a condition of participation in a sponsored project, or as may be necessary to comply with the terms of grants or contracts or to establish record title in the University (see section 1.e. above).

e. **Copying of Works Owned by Others** — Members of the University community are cautioned to observe the rights of other copyright owners. Contact the General Counsel's Office for University policies pertaining to copying for classroom use. Policies regarding copying for library purposes may be obtained from the Office of the Director of Libraries. Questions should be addressed to the General Counsel's Office.

f. **Sponsored Agreements** — Contracts and grants frequently contain complex provisions relating to copyright, rights in data, royalties, publication and various categories of material including proprietary data, computer software, licenses, etc. Questions regarding the specific terms and conditions of individual contracts and grants, or regarding rules, regulations and statutes applicable to the various government agencies, should be addressed to the Patent and Copyright Affairs group in the University's Sponsored Projects Office.

g. **General Advice and Assistance** — The Associate Director for Intellectual Property Administration in the Sponsored Projects Office, the Director of Technology Licensing, and staff counsel in the General Counsel's Office are available to advise on questions arising under this Guide Memo, and to assist with the negotiation and interpretation of the provisions of proposed formal agreements with third parties.

3. OTHER INTELLECTUAL PROPERTY

a. **Trade and Service Marks** — Trade or service marks relating to goods or services distributed by the University shall be owned by the University. Examples include names and symbols used in conjunction with computer programs or University activities and events. Consult the Office of Technology Licensing for information about registration, protection, and use of marks.

b. **Patents** — See Guide Memo 75.

c. **Proprietary Information** — Proprietary information arising out of University work (e.g., software developed at the Center for Information Technology) shall be owned by the University.

NOTE: All research involving proprietary information is subject to the University's Policy Guidelines on Secrecy in Research, adopted by the Academic Senate and reprinted in the Faculty Handbook.

4. TANGIBLE RESEARCH PROPERTY

See Guide Memo 77. The University encourages the prompt and open exchange, for others' scientific use, of software and firmware resulting from research. A Software Distribution Center has been established by the Office of Technology Licensing as a mechanism to distribute computer software efficiently to the largest number of potential users.

5. EXPLANATION OF TERMS

a. **Copyright** —

i. **Copyrightable Works** — Under the federal copyright law, copyright subsists in "original works of authorship" which have been fixed in any tangible medium of expression from which they can be perceived, reproduced, or otherwise communicated, either

directly or with the aid of a machine or device. These works include:

- Literary works such as books, journal articles, poems, manuals, memoranda, tes computer programs, instructional material, databases, bibliographies;
- Musical works including any accompanying words;
- Dramatic works, including any accompanying music;
- Pantomimes and choreographic works (if fixed, as in notation or videotape);
- Pictorial, graphic and sculptural works, including photographs, diagrams, sketches and integrated circuit masks;
- Motion pictures and other audiovisual works such as videotapes;
- Sound recordings.

ii. **Scope of Copyright Protection** — Copyright protection does not extend to any idea, process, concept, discovery or the like, but only to the work in which it may be embodied, illustrated, or explained. For example, a written description of a manufacturing process is copyrightable, but the copyright only prevents unauthorized copying of the description; the process described could be freely copied unless it enjoys some other protection, such as patent.

Subject to various exceptions and limitations provided for in the copyright law, the copyright owner has the exclusive right to reproduce the work, prepare derivative works, distribute copies by sale or otherwise, and display or perform the work publicly. Ownership of copyright is distinct from the ownership of any material object in which the work may be embodied. For example, if one purchases a videotape, one does not necessarily obtain the right to make a public showing for profit.

b. **Works for Hire** — "Work for hire" is a legal term defined in the Copyright Act as "a work prepared by an employee within the scope of his or her employment." This definition includes works prepared by employees in satisfaction of sponsored agreements between the University and outside agencies. Certain commissioned works also are works for hire if the parties so agree in writing. Other examples of works for hire are given in section 1.c.

The employer by law is the "author," and hence the owner, of works for hire for copyright purposes. Ownership in a work for hire may be relinquished only by an official of the University specifically authorized to do so.

c. **Other Intellectual Property** —

i. **Trade and Service Marks** — Trade and service marks are distinctive words or graphic symbols identifying the source, producer, or distributor of goods or services.

ii. **Trade Secrets** — "Trade secret" is a legal term referring to any information, whether or not copyrightable or patentable, which is not generally known or accessible, and which gives competitive advantage to its owner. Trade secrets are proprietary information.

iii. **Patents** — See Guide Memo 75.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

COPYRIGHT POLICY

OBJECTIVES

The copyright policy of the Institute seeks to protect and promote the traditional academic freedom of the Institute's faculty, staff, and students in matters of publication; seeks to balance fairly and reasonably the equitable rights of authors, sponsors, and the Institute; and attempts to ensure that any copyrightable material in which the Institute has an equity interest is utilized in a manner consistent with the public interest.

OWNERSHIP AND DISPOSITION OF COPYRIGHTABLE MATERIAL

Copyright ownership and the rights thereof are terms defined by Federal law. The Institute believes that its copyright policy objectives will best be attained within the context of the Federal law by defining the equities of ownership of copyrightable material in terms of the following categories:

A. Copyright ownership of all material (including software, but excluding theses) which is developed in the course of or pursuant to a sponsored research or other agreement shall be determined in accordance with the terms of the sponsored research or other agreement, or in the absence of such terms, the copyright shall become the property of the Institute.

Comment: Normally, research contracts sponsored by the government provide the government with specified rights in copyrightable

material developed in the performance of the research. These rights may consist of title to such data vesting solely in the government or the reservation of a royalty-free license to the government, with title vesting in the Institute. In some cases, the government prohibits any private copyright ownership. Grants and other types of sponsored research agreements, whether by the government or by private industry, may, on the other hand, provide no specific provision concerning rights in such material.

The purpose of this provision (which applies to all academic and research employees of the Institute) is to ensure that the Institute will be free to dispose of all such data in a manner consistent with its obligations to the sponsor and to the public.

In cases where a researcher wishes to publish Category A material in journals or other media, Federal law now requires the written consent of the owner of the copyright. Requests for such consent, which will normally be routinely provided, should be addressed to the Patent, Copyright, and Licensing Office.

B. Copyright ownership of all material (including software, but excluding theses) which is developed with the significant use of funds, space or facilities administered by the Institute, including but not limited to classes and laboratory facilities, but without any M.I.T. obligation to others in connection with such support shall reside in the Institute.

Comment: The Institute shall exercise its rights in such material in a manner that will best further M.I.T.'s basic aims as an educational institution, giving full consideration to making the

material available to the public on a reasonable and effective basis, avoiding unnecessary exclusions and restrictions, and providing adequate recognition of the authors.

In this respect M.I.T. recognizes and reaffirms the traditional academic freedom of its faculty and staff to publish freely without restriction. In keeping with this philosophy, M.I.T. will neither construe the provision of office or library facilities as constituting significant use of Institute space or facilities, nor will it construe the payment of salary from instructional accounts as constituting significant use of Institute funds, except for those situations where the funds were paid specifically to support the development of such material.

Publications not prepared within the scope of an Institute employee's duties are excluded from the ownership provisions of this category. Textbooks developed through the use of classes are excluded from the provisions of this category, unless such textbooks were developed using Institute-administered funds paid specifically to support such textbook development.

All persons who have developed copyrightable material through the significant use of M.I.T. space, funds, or facilities shall be required to transfer copyright ownership of such material to the Institute as a condition of such use.

C. Copyrightable material not within the provisions of Categories A and B of this policy shall be the sole property of the author, except for theses, as discussed below.

Theses created by students shall be governed by the following provisions:

D. Copyright ownership of theses generated by research which is performed in whole or in part by the student with financial support in the form of wages, salaries, stipend or grant from funds administered by the Institute shall be determined in accordance with the terms of the support agreement, or in the absence of such terms, shall become the property of the Institute.

E. Copyright ownership of theses generated by research performed in whole or in part utilizing equipment or facilities provided to the Institute under conditions that impose copyright restriction shall be determined in accordance with such restrictions.

F. Copyright in theses not within the provisions of Categories D and E of this policy shall be the property of the author. However, the student must, as a condition of a degree award, grant royalty-free permission to the Institute to reproduce and publicly distribute copies of the thesis.

As with faculty and research staff, the Institute wishes to encourage broad dissemination of all such material. Requests for permission to publish Category D and E theses should be addressed to the Patent, Copyright, and Licensing Office. (See also Faculty Regulation 2.71 and the Graduate School Manual.)

COPYRIGHT ROYALTIES

Royalty income received by the Institute through the sale, licensing, leasing or use of copyrightable material, under

Categories A and B, in which the Institute has acquired a property interest, will normally be shared with the author and the department, laboratory or center within the Institute where the material originated. Authorship shall be determined by the director of the originating department, laboratory or center. The gross royalties received by the Institute will usually be distributed as follows:

1. To the Institute, 60%;

2. To the author(s), a total of:

   35% of the first $50,000 in accumulated gross royalties,
   25% of the next $50,000 in accumulated gross royalties,
   15% of the accumulated gross royalties thereafter;

3. To the originating department, laboratory, or center within the Institute:

   5% of the first $50,000 in accumulated gross royalties,
   15% of the next $50,000 in accumulated gross royalties,
   25% of the accumulated gross royalties thereafter.

Where, after review, authorship cannot be determined, the percent share of royalties intended for the author shall be distributed instead to the originating department, laboratory, or center. (As used herein, the phrase "originating department, laboratory or center" means the department, laboratory or center which administered the funds, space or facilities used in developing the copyrightable material.)

The Institute reserves the right at its discretion to deduct from gross royalty income prior to any such distribution, expenses such as litigation which may be incurred in enforcing or defending the copyright or in licensing the copyrightable material.

INVENTION AND COPYRIGHT AGREEMENTS

The policies set forth above constitute an understanding which is binding on Institute faculty and staff, students, and others as a condition of their participating in Institute research programs or their use of funds, space, or facilities. Where the Institute may have an obligation to assign rights in inventions or copyrights to a sponsor, or may itself acquire rights under this policy, it will require a formal invention and copyright agreement.

September, 1979

NATIONAL COUNCIL OF UNIVERSITY RESEARCH ADMINISTRATORS

Introduction to

SOFTWARE LICENSING AGREEMENTS

Workshop Materials - NCURA Intellectual Property Series - 1984

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Introduction to

SOFTWARE LICENSING AGREEMENTS

This paper is one unit in a series prepared by the sponsored program and patent offices at M.I.T. for use in their own professional development program and in the workshop on intellectual property at the 1984 NCURA annual meeting. The NCURA Committee on Professional Development is making it available to NCURA members who need a basic understanding of intellectual property in connection with the negotiation and administration of sponsored research agreements.

Copies of this and other units in the series may be obtained from NCURA Headquarters.

Other Guidance

This series is intended to provide university research administrators with only an introduction to the basic concepts of intellectual property. Those who require a more complete understanding of the subject will wish to study other materials cited herein or developed from time to time by such organizations as the Society of University Patent Administrators, the Licensing Executives Society, the COGR Committee on Patents, Copyrights and Rights in Data, and the National Association of College and University Attorneys.

User Feedback

This material is intended to be self-improving. Users are, therefore, invited to forward comments, suggestions and new materials for the next revision to:

Chairman, Committee on Professional Development
National Council of University Research Administrators
One Dupont Circle, N.W., Suite 618
Washington, D.C. 20036

Introduction to

SOFTWARE LICENSING AGREEMENTS

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SOFTWARE LICENSING AGREEMENTS

The most common type of copyright licensing resulting from sponsored research programs involves computer software, including data bases and documentation.

Much of this licensing will be from the so-called "portfolio," i.e., those copyrightable works, resulting from the university's research and educational programs, which are available for licensing to any qualified licensee and may be marketed by the university or by a software house or similar organization on the university's behalf. Licenses are of various types. Some run directly to the end user, some to a software house for licensing to others, and some may be to distributors.

For the purposes of this introductory course, we will be primarily concerned with the type of license granted to a research sponsor as part of contract negotiations. The sample agreement we will refer to, however, will be identical in many respects to the licenses which would be granted to third parties out of the portfolio under like circumstances.

University research administrators should be aware, of course, that there is a broad range of copyright and other forms of licensing which may result from university activities, including the following:

Licensing of literary works, such as textbooks
Videotapes, instructional materials and courses
Trademarks and LOGOs

NON-EXCLUSIVE LICENSE TO A RESEARCH SPONSOR

Sample Agreement - Commentary

The essential provisions of a non-exclusive software license to a research sponsor are outlined below. They are illustrated in the attached sample agreement which is one of several types in use at MIT.

PARTIES

As in all agreements, the parties must be identified by name and place of business and by their "hereafter referred to as..." designation, such as Licensor and Licensee.

RECITALS

The recitals (i.e., the Whereases) help to identify and characterize the type of license and the general nature of the agreement at the outset. In some cases, the recitals are also used to identify the data base, software and other material to be licensed. More commonly, these are detailed in a separate provision with a title such as "Licensed Materials." It may also be helpful in some circumstances to attach a complete list of all the documentation and other materials to be provided as an Appendix so that there is no question later as to the completeness of the transfer.

ARTICLES

1. LICENSE RIGHTS

As discussed in Part III, Section 1., the agreement must clearly specify the type of license, whether exclusive or non-exclusive, and the rights granted, and may also list the rights specifically excluded.

The right to prepare derivative works was also discussed in Part III, where we noted that it is of greatest value to a sponsor that may wish to modify the software to adapt it to specific computer equipment or increase the general utility of the software.

2. TERM

Term of the license should be specified in precise language. The license granted may be perpetual, i.e., for the life of the copyright. However, it is highly doubtful that any software program would have a useful life of that length. It is more common to provide for a specific

license term such as five years, ten years, etc., or, as the sample agreement provides, such term may be set out as running automatically from year to year unless terminated. Given the uncertain commercial life of software, the self-renewing term offers the most flexibility to meet the changing commercial markets.

3. ROYALTIES

The payment of royalties can take many forms and choosing the one most appropriate to the particular transaction is primarily a business decision. In many cases, especially when the license granted is for end use only, the licensing fee is a one-time, up-front payment. In other cases, as where the software will be distributed by the licensee, a running royalty based on the net sales price of the software being licensed is combined with an initial up-front payment. In the sample agreement, a running royalty combined with an initial down payment is used. The initial payment may or may not be used as a credit against royalties, depending on negotiations. In those situations where a combination of initial payment and running royalties is used, the initial payment is considerably less than the fee expected when the license is to be fully paid-up without any running royalty. Further, the concept of a minimum annual royalty may be useful as a method of ensuring that the licensee has an incentive for performing under the agreement, and is used particularly in exclusive software licenses in lieu of performance milestones.

4. DELIVERY OF MATERIALS

It is important that the materials to be delivered under the license are clearly identified so that there is no question that the transfer has been completed and the licensor's obligations fully met. If the subject matter of the license has been detailed in an appendix to the agreement, the materials to be delivered can usually be specified by reference to it, with additions or deletions, if any. Otherwise an appendix can be added.

This clause in the sample agreement includes a provision requiring the licensee to take care that the copyright notation is retained on all copies of the material licensed which are made by the licensee. In addition, it is helpful to the licensee for the licensor to specifically address the content of the copyright notice and the requirements for placement of the notice. This can best be done in an appendix such as that included as Appendix B to the sample agreement.

The "Delivery" clause normally stipulates that the licensor provides the material on an "as is" basis and that licensor is not required to test or perform any debugging. In the sample agreement MIT does agree to provide on-site installation assistance at its discretion and at licensee's expense. This clause may be expanded to provide other minimum assistance as the program developers deem necessary.

Acceptance Testing: Although not included in the sample agreement, a clause is sometimes used which allows a period for acceptance testing. If it turns out that the program is not suitable in practice for the

licensee's purposes, licensee can terminate the license by reimbursing the licensor's out-of-pocket costs. A clause of this type might read as follows:

> "Licensee may conduct acceptance tests of the Program during the thirty (30) days following delivery of the Program by Licensor. During this acceptance period, Licensee may terminate this Agreement if Licensee finds that the Program is not suitable for Licensee's purposes. Upon such termination, Licensee shall immediately return the Program and its manuals to Licensor at no cost to Licensor, and shall reimburse Licensor for those costs incurred by it in reproducing and delivering the Program and accompanying materials to Licensee. Upon receipt of the Program and Manuals, Licensor shall refund to Licensee any initial license fee which may have been paid by Licensee."

5. CORRECTIONS

The sample license agreement contains a provision under which the Licensor agrees to use its best efforts to correct malfunctions resulting from errors which are internal to the code, since errors of that type obviously limit the ability of the program to serve its intended purpose. The Licensor does not, however, agree to modify the program to serve purposes or provide features not intended in the program as delivered.

6. REPORTS AND RECORDS

This clause clearly states the licensee's obligations to maintain records of transactions on which royalties are due. It also provides for an inspection of records by the licensor.

The second part of the clause specifies a semi-annual report of transactions and payment of royalties due.

7. WARRANTIES

A clause should be included in every agreement, such as the one in the sample agreement, to the effect that no warranty of any kind, express or implied, is provided. Warranty clauses vary quite widely, and in some of them a limited warranty may in fact be included. Because of certain legal decisions, it is considered necessary by many lawyers that the warranty disclaimer be in capital letters to be legally valid and binding.

8. LIMITATION OF LIABILITY

A limitation of liability provision is frequently included, such as the one in the sample agreement, so that the Licensor is not liable for problems arising due to use of program by the licensee or its distributees at a later date. As with warranties, there are variations in such clauses,

and some Licensors accept limited liability where it results directly from acts solely under the control of the Licensor, as°, for example, when the licensed software infringes the copyright of a third party.

9. TERMINATION

A termination clause should be included in all software licenses where a licensee may breach its obligations under the license, especially with regard to royalties, the copyright notice requirement, or non-distribution. The termination clause should provide for a notice and cure period for breach; termination in the case of bankruptcy, and in the case of a non-exclusive license, termination at will for a licensee that no longer has use for the licensed program.

10. EFFECTS OF TERMINATION

It is important to enumerate the steps to be taken to wind up the licensee's licensing rights. The licensor should require written assurances that all copies of the software in the licensee's possession have been destroyed except for a single copy which, under the copyright law, may be retained by the licensee for archival purposes. It should also be clearly stated that the licensee's sublicensees should have continued use of the software despite termination of the license to the licensee.

11. NON-USE OF NAMES

This clause is self-explanatory and is normally included for the same reasons that it is included in research contracts.

OTHER CLAUSES (12 and 13)

The remaining clauses are the housekeeping and administrative clauses which parallel those normally contained in any research contract under such headings as:

- Notices, addresses
- Governing law
- Entire agreement
- Modifications
- Severability
- Assignability
- Waiver of rights

SOFTWARE LICENSE AGREEMENT

This Agreement, made and entered into this _____ day of _____, 19__, (the Effective Date) by and between the MASSACHUSETTS INSTITUTE OF TECHNOLOGY, a corporation duly organized and existing under the laws of the Commonwealth of Massachusetts and having a principal office at 77 Masschusetts Avenue, Cambridge, Massachusetts 02139 U.S.A. (hereinafter referred to as M.I.T.) and _____, a corporation organized under the laws of _____ and having a principal office at _____ (hereinafter referred to as LICENSEE).

WHEREAS, M.I.T. is the owner of certain rights, title and interest in the computer program and related documentation, entitled "_____" (as set forth in Exhibit A and hereinafter referred to as the "Program") and has procured copyright therefor and has the right to grant licenses to reproduce and distribute the Program and wishes to have the Program utilized in the public interest; and

WHEREAS, LICENSEE wishes to obtain a nonexclusive right and license to copy and use the Program upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants, terms and conditions herein contained, the parties agree as follows:

1. LICENSE

M.I.T. hereby grants to LICENSEE nonexclusive, nontransferable (except as hereinafter set forth), worldwide rights to use, reproduce, display, perform and distribute the Program by sale, lease or sublicense for end-use (hereinafter called "RIGHTS GRANTED").

2. TERM

The term of this Agreement shall be for one (1) year from the Effective Date and shall be automatically renewed from year to year thereafter, unless sooner terminated under the provisions of Paragraph 8 hereof.

3. ROYALTIES

In consideration of the RIGHTS GRANTED herein, LICENSEE shall pay to M.I.T., in accordance with the following schedule:

A. An Initial Payment

Upon execution of two copies of this Agreement, LICENSEE shall pay to M.I.T. the sum of $_____, which payment shall be deemed earned, but which shall be credited against future royalties arising pursuant to Paragraph 2.B below.

B. Royalty Payments

LICENSEE shall pay M.I.T. a royalty of _____% of the Net Sales Price of each Program which shall be sold, leased, licensed or otherwise distributed by LICENSEE.

Net Sales Price shall mean LICENSEE's billings for the Program, less the sum of the following:

1. Discounts allowed in amounts customary in the trade.

2. Sales, tariff duties and/or use taxes directly imposed and with reference to particular sales.

3. Outbound transportation prepaid or allowed.

4. Amounts allowed or credited on returns.

4. DELIVERY OF MATERIALS

4.1 Upon execution of two copies of this Agreement and payment by LICENSEE of the initial payment in accordance with paragraph 3 above, M.I.T. shall deliver to LICENSEE ____ copy(ies) of the Program as defined in Exhibit A to this Agreement.

4.2 LICENSEE acknowledges that title to the Program (including copyright) shall remain with M.I.T. and that any copies of the Program or portion thereof made by LICENSEE in accordance with the RIGHTS GRANTED hereunder shall include thereon an M.I.T. copyright notice as set forth in Exhibit B to this Agreement. Such notice shall be affixed to all copies or portions thereof in such manner and location as to give reasonable notice of M.I.T.'s claim of copyright and shall be in conformity with all applicable regulations of affixation prescribed by the United States Register of Copyright.

4.3 LICENSEE accepts the above materials on an "as is" basis. Accordingly, M.I.T. shall not be required to load the Program onto LICENSEE's volumes, test for proper operation, perform any debugging, make any corrections or otherwise maintain the Program at any time other than provided under Paragraph 5 hereunder. M.I.T. may, in its sole discretion, at the request of LICENSEE provide on-site installation assistance so long as LICENSEE shall bear the cost of all expenses incurred by M.I.T. in providing such on-site installation assistance.

5. CORRECTIONS

M.I.T. shall use its best efforts, at no additional cost, to correct MALFUNCTIONS that arise in that version of the Program delivered to LICENSEE. MALFUNCTIONS, as used herein, shall mean errors deemed by M.I.T. to be internal to the Program code licensed hereunder. M.I.T. does not hereby agree to develop or provide LICENSEE with any updates, enhanced capabilities or other features not present in the version of the Program first delivered to LICENSEE under this Agreement.

In addition, LICENSEE specifically agrees that if any error is determined by M.I.T. to be of user origin, M.I.T. shall be under no obligation to correct such error.

6. REPORTS AND RECORDS

6.1 LICENSEE shall keep and maintain full, true and accurate books of account containing all particulars which may be necessary for the purpose of showing the amount payable to M.I.T. by way of royalty as aforesaid. Said books shall be kept at LICENSEE'S principal place of business. Said books and the supporting data shall be available for inspection, during business hours, upon reasonable notice, by a certified public accountant designated by M.I.T. and approved by LICENSEE, which approval shall not be unreasonably withheld, for three (3) years following the year to which they pertain.

6.2 Within sixty (60) days of March 31 and September 30 of each calendar year during the license term, LICENSEE shall make to M.I.T. a royalty report stating the number of copies of the Program which have been sold, leased, sublicensed for end-use or otherwise distributed during the preceding six (6) month period and the amount of royalties due. With each such royalty report, LICENSEE shall pay to M.I.T. the royalties due. If no royalties shall be due, it shall be so reported

7. WARRANTIES

LICENSEE AGREES THAT RIGHTS GRANTED ARE MADE AVAILABLE WITHOUT WARRANTY OF ANY KIND EXPRESSED OR IMPLIED INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND FURTHER INCLUDING NO WARRANTY AS TO CONFORMITY WITH WHATEVER USER MANUALS OR OTHER LITERATURE MAY BE ISSUED FROM TIME TO TIME.

8. LIMITATION OF LIABILITY

LICENSEE agrees that neither M.I.T. nor any of its employees, agents or contractors shall be liable under any claim, charge, demand, whether in contract, tort or otherwise, for any and all loss, cost, charge, claim, demand, fee, expense or damage of any nature or kind arising out of, connected with, resulting from or sustained as a result of executing this Agreement or for performing all or any part of this Agreement. In no event shall M.I.T. be liable for special, direct, indirect or consequential damages, losses, costs, charges, claims, demands, fees or expenses of any nature or kind.

9. TERMINATION

9.1 Upon any material breach of this Agreement by LICENSEE, M.I.T. shall have the right to terminate this Agreement by giving thirty (30) days written notice thereof to LICENSEE. Such termination shall become effective unless LICENSEE shall have cured any such breach prior to the expiration of said thirty (30) day period.

9.2 If LICENSEE shall become bankrupt or insolvent or shall file a petition in bankruptcy, or if the business of LICENSEE shall be placed in the hands of a receiver, assignee or trustee for the benefit of creditors, whether by the voluntary act of LICENSEE or otherwise, this Agreement shall automatically terminate.

9.3 LICENSEE shall have the right to terminate this Agreement at any time upon thirty (30) days notice by certified mail to M.I.T.

10. EFFECTS OF TERMINATION

10.1 Upon termination for any reason, LICENSEE shall provide M.I.T. with written assurance that the original and all copies of the Program, including partial copies in modifications, have been destroyed, except that, upon prior written authorization from M.I.T., LICENSEE may retain a copy for archive purposes.

10.2 Termination of this Agreement for whatever reason shall not be construed to release either party from any right or obligation that matured prior to the date of such termination.

10.3 Upon termination of this Agreement for any reason, the rights of LICENSEE'S customers to the use and enjoyment of the Program in accorddance with any sublicense granted by LICENSEE pursuant to the provisions of Paragraph 1 hereof prior to such termination shall not be abridged or diminished in any way so long as LICENSEE shall continue to pay to M.I.T. any royalties otherwise due on account of such sublicensing.

11. NON-USE OF NAMES

LICENSEE shall not use the name of Massachusetts Institute of Technology nor the names of any of its employees nor any adaptation thereof in any advertising, promotional or sales literature without prior written consent obtained from M.I.T. in each case.

12. NOTICES AND OTHER COMMUNICATIONS

Any notice, consent, demand or other communication required or permitted under this Agreement shall be sufficiently made or given on the date of mailing if in writing and sent to such party by registered or certified mail, postagne prepaid, addressed to it at its address below or as it shall designate by wirtten notice given to the other party:

In the case of M.I.T.:

Patent and Copyright Office
Massachusetts Institute of Technology
77 Massachusetts Avenue, Room E19-722
Cambridge, Massachusetts 02139

In the case of LICENSEE:

13. MISCELLANEOUS

13.1 This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

13.2 This instrument contains the entire agreement between the parties hereto and supersedes all prior agreements with respect to the subject matter hereof.

13.3 Any mondification of the Agreement to be effective must be in writing and signed by both parties.

13.4 If one or more of the provisioins of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisionms shall not in any way be affected or impaired thereby.

13.5 This Agreement shallb e binding on the parties and their succsssors in interest; LICENSEE 'S rights and obligations hereunder shall not oterhwise be assignable without M.I.T.'s prior written consent.

13.6 The failure of either party to assert a right hereunder or to insist upon compliance with any terms or condition shall not constitute a waiver of that right or excuse the subsequent nonperformance of any such term or condition by the other party.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals and duly executed this Agreement the day year first above written.

Attest: MASSACHUSETTS INSTITUTE OF TECHNOLOGY

_____ By_____
Title_____ Title_____

Attest:

_____ By_____
Title_____ Title_____

APPENDIX

COPYRIGHT NOTICE SPECIFICATIONS

A. LICENSEE and any party licensed or otherwise permitted by LICENSEE to reproduce the computer programs and materials licensed hereunder shall include a notice of copyright on each such reproduction, whether made in whole or in part and regardless of the form in which made. Said notice of copyright shall be in accordance with the following specifications.

1. The notice shall appear in the same form and location as it appears on the copy being reproduced.

B. If no notice appears on the copy (or portion thereof) being reproduced, a notice shall be placed as follows:

1. The notice shall read:

"Copyright c (date of first publication), Massachusetts Institute of Technology

2. The notice shall be positioned:

(a) For printed materials, including documentation -- on the first title page or, if no title appears on the portion reproduced, on the first page of such portion.

(b) For computer materials --

(i) on a gummed or other label securely affixed to the copies or to a box, reel, cartridge, cassette or other container used as a permanent receptacle for the copy, and

(ii) in the body of the machine-readable form in such a manner that, on visually perceptible printouts, it appears either with the title or at the end of the work.

DEPARTMENT OF THE ARMY

EXCLUSIVE LICENSE AGREEMENT

A. WHEREAS, The United States of America is the owner by assignment recorded in the United States Patent and Trademark Office at Reel 4039, Frame 0840, on August 11, 1982, of an invention described and claimed in United States Patent Number 4,445,989 granted on May 1, 1984 (hereinafter referred to as THE INVENTION);

B. WHEREAS, the Secretary of the Army (hereinafter referred to as LICENSOR) as the representative of the United States of America has custody of and the right to issue licenses to practice THE INVENTION pursuant to Public Law 96-517 and implementing regulations;

C. WHEREAS, LICENSOR desires THE INVENTION should be brought to the point of practical application in the shortest possible time and made available to the public, thereby serving the public interest and broadening the potential supply base for LICENSOR and other Government agencies;

D. WHEREAS, APS-Materials, Inc., whose mailing address is: 153 Walbrook Avenue, Dayton, Ohio 45405 (a corporaton organized and existing under the laws of the State of Ohio) (hereinafter referred to as LICENSEE) desires to obtain an exclusive license to practice THE INVENTION;

E. WHEREAS, LICENSEE is willing to cause THE INVENTION to be brought to the point of practical application and thereafter to be reasonably accessible to the public;

F. WHEREAS, LICENSOR has designated the Chief, Patents, Copyrights, and Trademarks Division, U.S. Army Legal Services Agency, 5611 Columbia Pike, Falls Church, VA 22041 as LICENSOR'S REPRESENTATIVE for legal activities and the Chief, Engineering and Materials Division, Department of the Army, Construction Engineering Research Laboratory, P.O. Box 4005 Champaign, Illinois, 61820 as LICENSOR'S REPRESENTATIVE for technical activities; and

G. WHEREAS, LICENSEE has submitted a satisfactory plan for development of THE INVENTION, together with information about LICENSEE'S capability to fulfill the plan;

NOW THEREFORE, in consideration of the above premises and of the mutual promises set forth and for other good and valuable consideration, LICENSOR and LICENSEE do hereby agree as follows:

1. LICENSOR hereby grants to LICENSEE the right to practice THE INVENTION, which practice as used herein means to make, use and sell the device, within the license area, which for the purpose of the LICENSE means the geographical limits of the United States of America, its territories and possessions, and Puerto Rico.

2. LICENSEE hereby grants to LICENSOR an option to obtain a worldwide, non-exclusive, non-transferable license to practice each invention covered by an improvement patent in which LICENSEE obtains an interest. Such non-exclusive license shall grant to the LICENSOR the right to practice and have practiced such inventions on behalf of the LICENSOR and on behalf of any foreign government or international organization pursuant to any existing or future treaty or agreement with LICENSOR. LICENSOR shall pay LICENSEE a royalty not to exceed two percent of the selling price, as defined in paragraph 15 below, as consideration for practicing the invention covered by the improvement patents. Improvement patent means any U.S. patent covering subject matter related to the subject matter disclosed in THE INVENTION.

3. This LICENSE shall extend to any reissued patent which may be derived from the patent identified in A. above, provided that LICENSOR has custody of the rights thereto and is able to grant such license without incurring liability to third parties; the LICENSE shall not apply to the rights to any other invention, patent, or patent application.

4. LICENSEE may grant sublicenses, subject to approval by LICENSOR'S REPRESENTATIVE for legal activities; any sublicense shall make reference to this LICENSE and be subject to those rights retained by LICENSOR. A copy of any sublicense shall be furnished to LICENSOR'S REPRESENTATIVE for legal activities within 30 days from the effective date thereof. LICENSOR will not unreasonably withhold approval of a sublicense.

5. LICENSEE agrees that any products embodying THE INVENTION or produced through the use of THE INVENTION will be manufactured substantially in the United States.

6. Except as provided below, this LICENSE shall be exclusive, and LICENSOR agrees to grant no other licenses to practice THE INVENTION during the term of this LICENSE. This LICENSE shall be subject to the irrevocable, royalty free right of the Government of the United States to practice THE INVENTION or to have practiced on its behalf and to authorize practice of THE INVENTION by or on behalf of any foreign government or intergovernmental organization pursuant to any existing or future treaty or agreement with the United States.

7. This LICENSE shall become effective upon execution for LICENSOR and shall remain effective for seven years from date of execution unless sooner terminated or otherwise modified pursuant to Chapter 10, Army Regulation 27-60, as revised. This LICENSE may be renewed for an additional period upon written submission by LICENSEE supported by a factual showing that a renewal is necessary to permit the LICENSEE to bring THE INVENTION to the point of practical application, and to make a reasonable profit from his investment.

8. This LICENSE may not be assigned to any party without express approval by LICENSOR'S REPRESENTATIVE for legal activities except to the successor of that part of LICENSEE'S business to which THE INVENTION pertains.

9. If either LICENSOR or LICENSEE shall have reason to believe that any United States patent, issued for THE INVENTION identified in A. above, is infringed, it shall promptly notify the other. LICENSOR shall have the first option, at its expense, to sue others for infringement of the U.S. Patent issued for THE INVENTION identified in A above. If LICENSOR fails to bring suit within six months after knowledge of the infringement, LICENSEE shall have the right, at its expense, to sue to abate such infringement. All proceeds derived from an infringement suit shall be the property of the party bringing the suit. LICENSOR and LICENSEE mutually agree to furnish technical and other necessary assistance to each other in conducting any litigation necessary to enforce such patent against others. Expenses for such assistance will be paid by the party requesting such assistance.

10. LICENSOR makes no warranty, express or implied, regarding scope of validity of any patent or noninfringement of any other patent in the practice of THE INVENTION.

11. LICENSOR assumes no liability resulting from the practice of THE INVENTION or from other exercise of the terms of this LICENSE, as herein provided including modification or termination.

12. This LICENSE does not convey any immunity from the antitrust laws or from a charge of patent misuse, and LICENSEE'S or sublicensee's exercise of rights hereunder are not immunized from the operation of any state of Federal law by reason of the source of the grant.

13. LICENSOR reserves the right to require LICENSEE to grant sublicenses to responsible applicants on terms that are reasonable in the circumstances to the extent that THE INVENTION is required for public use by government regulations or as may be necessary to fulfill public health, welfare, or safety needs. Any decision by LICENSOR to require such a sublicense may be appealed by LICENSEE under the procedures set forth in paragraph 28.

14. All correspondence and questions on technical and scientific matters shall be sent to LICENSOR'S REPRESENTATIVE for technical activities.

15. LICENSEE shall pay a royalty based upon the selling price of patented products sold within the license area by LICENSEE, his sublicensees, or any other third party duly authorized by or through LICENSEE, as set forth below:

a. Selling price means the sum of all charges invoiced by LICENSEE or sublicensee to customers with respect to sale of patented products less:

(1) Normal trade and cash discounts actually allowed;

(2) Expenses of transporting shipment between LICENSEE or sublicensees and customers;

(3) Premiums on insurance against loss and damage in transit;

(4) Credits or refunds actually allowed for spoiled, damaged, outdated or returned goods, and;

(5) Sales and other excise taxes imposed and paid directly with respect to the sale.

b. Transfer of patented products between LICENSEE and sublicensees shall not be deemed sales and shall not be included in computing selling price.

c. The license area is the geographical area described in paragraph 1 above.

d. Royalties shall be paid at the royalty rate of 5 per cent of the selling price.

e. Royalties shall be paid by check payable in United States dollars to the Treasurer of the United States, mailed to LICENSOR'S REPRESENTATIVE for technical activities.

f. Royalties accrued for sales made subject to royalty payments during the months of April through September of each year shall be paid not later than the last day of the following November. Royalties accrued for sales made subject to royalty payments during the months of October through March of each year shall be paid not later than the last day of the following May. Royalty payments received by LICENSEE but not received by LICENSOR by the due date shall be subject to interest charges computed at 10% per annum.

g. No royalty shall accrue on the patented products manufactured for or sold to the United States Government or any of its agencies for governmental purposes.

16. LICENSEE shall carry out its plan to bring the INVENTION to the point of practical application, which as used herein means to practice THE INVENTION under such conditions as to establish that work on THE INVENTION is being carried out and that its benefits are reasonably accessible to the public in the U. S. within two years of the date of this LICENSE, and to continue during the term of this LICENSE to make the benefits of THE INVENTION reasonably accessible to the public. LICENSEE shall promptly report discontinuance of his making the benefits of THE INVENTION reasonably accessible to the public.

17. LICENSEE shall keep true books of account containing an accurate record of all data necessary for the computation of royalty fees payable under this LICENSE. LICENSEE shall from time to time permit the LICENSOR'S REPRESENTATIVE for technical activities to examine the books of account of LICENSEE to such an extent as may be reasonably necessary for LICENSOR to determine the accuracy of the royalty reports.

18. LICENSEE shall submit reports to LICENSOR'S REPRESENTATIVE for technical activities, as set forth below, which shall include, but need not be limited to, the information required in subparagraphs a., b., c., and d. below.

a. LICENSEE shall report its efforts, and the efforts of any sublicensee, to bring the INVENTION to the point of practical application.

b. LICENSEE shall provide all pertinent information within LICENSEE'S knowledge, or reasonably available to LICENSEE, regarding the commercial use being made of THE INVENTION or which LICENSEE has reason to believe will be of interest to LICENSOR.

c. LICENSEE shall report the total dollar value of entitlements for royalties, and the actual amount of royalties received by LICENSEE, during each reporting period set forth in subparagraph e. below. Negative reports are required.

d. LICENSEE shall provide reasonably sufficient information to substantiate that the plan submitted with its request for a license is being executed.

e. Reports shall be made within 30 days of the following:

(1) at the end of each year following the effective date of this LICENSE,

(2) at such shorter intervals as LICENSOR'S REPRESENTATIVE for technical activities request in writing,

(3) upon termination of this license, or

(4) upon discontinuance of LICENSEE'S or any sublicensee's efforts to practice the INVENTION.

19. The LICENSOR may terminate this license, in whole or in part, if:

a. The LICENSOR determines that the LICENSEE or sublicensee is not executing the plan submitted with its request for a license and the LICENSEE or sublicensee has not otherwise demonstrated to the reasonable satisfaction of the LICENSOR'S REPRESENTATIVE for technical activities that it has taken or can be expected to take within a reasonable time effective steps to achieve practical application of the invention;

b. The LICENSOR determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the LICENSE and such requirements are not reasonably satisfied by the LICENSEE;

c. The LICENSEE has willfully made a false statement of, or willfully omitted, a material fact in the license application or in any report required by the LICENSE AGREEMENT;

d. The LICENSEE commits a substantial breach of a covenant or agreement contained in the LICENSE;

e. The LICENSEE defaults in making any report required by the LICENSE; or

f. THE LICENSEE gave or offered gratuities (in the form of entertainment, gifts, or otherwise) to any officer or employee of the LICENSOR with a view toward securing a license.

20. The parties shall notify each other of any changes in name, address, or business status, and any notice or report under the provisions of this LICENSE shall be sent to the address as provided hereunder.

21. All rights and obligations of LICENSOR and LICENSEE hereunder shall remain in effect throughout the term of this agreement and any renewal term of this agreement and it is understood and agreed that expiration or termination of this agreement shall not relieve either party of any obligation arising under this agreement which shall have accrued prior to such expiration or termination, but the rights and license granted to LICENSEE under paragraph 1 above, shall thereby be revoked.

22. Any notice or report including royalty payments required or permitted by this agreement to be given by either party to the other shall be in writing and shall be considered served when deposited in the United States Mail in a sealed envelope with sufficient postage affixed, registered or certified with return receipt requested, and addressed to the party to whom such notice is directed at its post office address.

23. No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this LICENSE, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this LICENSE if made with a corporation for its general benefit.

24. The LICENSEE warrants that no person or selling agency has been employed or retained to solicit or secure this LICENSE upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bonafide employees or bonafide established commercial or selling agencies maintained by the LICENSEE for the purpose of securing business. For breach or violation of this warranty the LICENSOR shall have the right to annul this LICENSE without liability or in its discretion, to recover the full amount of such commission, percentage, brokerage or contingent fee.

25. This agreement constitutes the entire agreement between the parties and there are no other understandings, representations or warranties of any kind except as expressly set forth herein.

26. Should any provision of the agreement be declared or found illegal, unenforceable or void, both parties shall be relieved of all obligations arising under such provision, but if the remainder of this agreement shall not be affected by such declaration or finding and the agreement is capable of substantial performance, each provision not so affected shall be enforced to the extent permitted by law.

27. This agreement shall be binding upon LICENSEE, its successors and assignees, but nothing contained in this Agreement shall authorize an assignment of any claim against LICENSOR otherwise than as permitted by law.

28. The decisions of LICENSOR'S REPRESENTATIVES on any requirement, dispute, interpretation, modification, or termination of this LICENSE shall be final, Provided, That LICENSEE may, within thirty days of receiving notice of such decision, submit a written appeal through LICENSOR'S REPRESENTATIVE for legal activities to the Assistant Judge Advocate General for Civil Law, Department of the Army, Washington, D. C. 20310 which appeal shall set forth in detail the decision being appealed and the basis of the appeal and may include appropriate supporting materials. Implementation of such decision shall be stayed pending a final resolution of such appeal. LICENSEE'S right to appeal is without prejudice to any other legal or equitable rights it may have.

FOR LICENSOR:

JAY R. SCULLEY
ASSISTANT SECRETARY OF THE ARMY
(Research, Development and
Acquisition)

25 MAY 1984
DATE

FOR LICENSEE:

DOUGLAS H. HARRIS
President
APS - MATERIALS, INC.

25 May 1984
DATE

Witness

SUBSCRIBED AND SWORN TO
BEFORE ME ON 25 May 1984

ROBERT A. BECHMANN
NOTARY PUBLIC
STATE OF ILLINOIS