

17.01.04 Distribution of Royalties, License Fees and Sale Proceeds from Licensing



Revised [January 30, 2024](#)

Next Scheduled Review: January 30, 2029

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Regulation Summary

This regulation defines the proper distribution of the income associated with licensing activities to intellectual property (IP) creators and The Texas A&M University System (system) members.

Definitions

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Regulation

1. Royalties, license fees and sale proceeds received from the licensing or sale of intellectual property owned or controlled by the system are received and distributed by Texas A&M Innovation (TI) in accordance with the percentages specified in this regulation. TI generates royalty reports for royalties, license fees and sale proceeds received, and distributes such royalty reports to the chancellor and the system Board of Regents (board).
2. The commercial development fund (CDF) is established to support intellectual property and commercialization activities and is managed by the chancellor or designee. The CDF is funded through a portion of the revenues received from the commercialization of system intellectual property as provided by Section 2.2.
 - 2.1 Distribution of any Royalties, License Fees and Sale Proceeds will occur no later than 90 days after they were received, subject to having the following:
 - (a) fully executed intellectual property disclosure (See System Regulation *17.01.02, Evaluation and Protection of Intellectual Property*);
 - (b) fully executed multiple IP creators sharing agreement, if applicable (See System Regulation *17.01.02*);
 - (c) fully executed multiple IP relative weight agreement for IP creators, if applicable (See System Regulation *17.01.03, Commercial Development of Intellectual Property*);

- (d) for license agreements covering multiple intellectual properties that contain a reporting requirement, a sufficient report from the licensee enabling TI to determine amounts due to the system for each licensed intellectual property for the reporting period where monies were received; and
- (e) all necessary up-to-date IP creator tax and contract information on file with TI to enable payment (IP creator has an obligation to update TI when such information changes).

2.2 Distribution of Royalties, License Fees and Sale Proceeds from Licensing or Sale of Patentable Inventions, Copyrightable Works, Plant Varieties and TRP¹

Step 1 – Deduct from gross royalties, license fees or sale proceeds the cost of legal protection (when the cost of legal protection has not already been paid in full by another source at the time of distribution) and payments to any third parties to arrive at net income.

Step 2 – Distribute 37.5 % of net income to the IP creator(s) as personal income per Section 2.3 - *Distribution of IP Creators Portion of Net Income*.

Step 3 – Distribute 57.5 % of net income to TI supporting the operation of commercialization and member innovation.

Step 4 – Distribute 5 % of net income to the CDF.

2.3 Distribution of IP Creators Portion of Net Income

The distribution of net income of the IP creator(s) portion is as follows²:

2.3.1 For a single intellectual property family included in a license agreement:

- (a) For a single IP creator, a distribution formula is based upon the IP creator receiving all of the IP creator's portion of net licensing income as set forth in Section 2.2.
- (b) For multiple IP creators for an intellectual property family, a distribution formula is based on an IP creator's relative contribution to the intellectual property family as set forth in a multiple IP creators sharing agreement. (See System Regulation 17.01.02.) Per System Regulation 17.01.02, the distribution formula does not change unless an IP creator is dropped entirely as an inventor from the patent claims for intellectual property that includes a patent.

2.3.2 For multiple intellectual property families included in a license agreement:

¹ For Patentable Inventions, Plant Varieties and Tangible Research Property (TRP), Licensed or Sold Before June 1, 2006, distribute 42.5 % of net income to the IP creator(s) as personal income and 52.5 % of net income to TI, and 5% to CDF.

² If distribution of net income to an individual IP creator is less than fifty dollars (\$50), such distribution to that individual IP creator will be held until (i) the amount of net income received for that IP creator currently and previously is fifty dollars (\$50) or more, or (ii) the intellectual property that the IP creator is associated with expires or is held to be invalid by a patent office or court having competent jurisdiction over such intellectual property.

- (a) The procedure for determining the formula for distribution of the IP creators' portion of net licensing income to a pool of IP creators is based on a multiple IP relative weight agreement for IP creators. (See System Regulation *17.01.03*.) As set forth in the multiple IP relative weight agreement for IP creators, the IP creators assign a relative weight (importance/value) for each intellectual property family as a percentage of the total of all intellectual property families included in the license agreement (Relative IP Percentage).
- (b) For each of the intellectual property families included in a license agreement involving multiple intellectual property families, there is a multiple IP creators sharing agreement. (See System Regulation *17.01.02*.) The multiple IP creators sharing agreement sets forth all of the IP creators' percentage of contribution to that particular intellectual property family. This percentage of contribution for each IP creator is used to determine an IP creator's percentage of the Relative IP Percentage for a particular intellectual property family (Individual IP Percentage).
- (c) For each of the intellectual property families included in the license, Individual IP Percentages are determined for each IP creator and used to formulate a total percentage of the IP creators' portion of net licensing income a particular IP creator receives.
- (d) If an intellectual property family is dropped from the license agreement by the licensee or if the intellectual property includes a patent and the patent expires or the patent is invalidated by a court of competent jurisdiction and there is no other patent(s) in the patent family, the relative weight previously assigned to that intellectual property family is split equally among the remaining intellectual property families. Any IP creators for the removed intellectual property family no longer receive any distribution for that intellectual property family.

2.4 Members are entitled to all income from the distribution or commercialization of member(s)' works for hire and for member-owned trademarks as defined in System Regulation *17.01.01, Ownership of Intellectual Property and Tangible Research Property*, that have not been assigned to the system. If upon the member's request, TI assists in such distribution or commercialization, member must reimburse TI for its incurred expenses.

2.5 Notwithstanding anything to the contrary, the chancellor or designee may change or cancel any IP creator's percentage of distribution under this regulation if the IP creator files a cause of action against the board, the system, any member(s) or their employees related to the IP creator's intellectual property, or directly or indirectly challenges the validity of the IP creator's intellectual property; or if the system and/or any member(s) sues the IP creator or an entity owned or controlled, directly or indirectly, by the IP creator related to the IP creator's intellectual property.

3. REVENUE FROM ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

If the system receives revenue from third parties as a result of settlement or litigation related to the enforcement of system rights in intellectual property, such revenue is first used to reimburse the system (or the sponsor, institution or licensee, if appropriate) for expenses

related to such actions. The IP creator(s), TI, and the system are entitled to the remaining net income according to the distribution formula outlined in this regulation.

4. DISTRIBUTION OF INCOME FROM INTELLECTUAL PROPERTY IN CASE OF DEATH

In the case of death or incapacitation of an IP creator, royalty distributions, including any equity to which the IP creator was entitled, are made pursuant to the Texas Probate Code and the United States Internal Revenue Code.

Related Statutes, Policies or Requirements

[System Policy 17.01, Intellectual Property Management and Commercialization](#)

[System Regulation 17.01.01, Ownership of Intellectual Property and Tangible Research Property](#)

[System Regulation 17.01.02, Evaluation and Protection of Intellectual Property](#)

[System Regulation 17.01.03, Commercial Development of Intellectual Property](#)

Member Rule Requirements

A rule is not required to supplement this regulation.

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