

**POLICY ON
PRODUCT
COMMERCIALIZATION**

UNIVERSITY OF MORATUWA

(Approved by the Council at its 397th meeting held on 05.03.2014)

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1.0 Preamble

The Intellectual Property contributes immensely to the knowledge-based economy when the use is optimized through commercialization. The University of Moratuwa (UOM) in its journey towards a world class University focuses on number of technologies commercialized out of its intellectual property as one of its Key Performance Indicators. This Product Commercialization policy is formulated in line with the Intellectual Property Policy of the UOM by the Intellectual Property Advisory Committee (IPAC) to meet the said aspect of the UOM.

2.0 Objectives

- i. To encourage the commercialization of Intellectual Property of the UOM being developed for mutual benefit of the UOM and the industry.
- ii. To setup a framework for “Technology Licensing Office” [TLO] to effectively manage Technology Transfer.
- iii. To provide appropriate incentives in order that the technology could be commercialized for public benefit in an adequate and timely manner.

3.0 Definitions

“Derivative works”	(a) translations, adaptations, arrangements and other transformations or modifications of works ; and (b) collections of works and collections of mere data (data bases), whether in machine readable or other form, provided that such collections are original by reason of the selection, co-ordination or arrangement of their contents.
“Intellectual Property”	Rights relating to the areas such as literary, artistic or scientific works, performances of performing artists, phonograms, broadcasts, inventions,

	industrial designs, trademarks, service marks, commercial names and designations, protection against unfair competition, geographical indications, new varieties of plants, undisclosed information and layout designs of integrated circuits
“Marks”	Trade marks, service marks, associated marks, collective marks, certification marks and any other “mark” as defined in the Intellectual Property Act No.36 of 2003.
“Net Sales ”	The amount of sales generated by a company after the deduction of returns, allowances for damaged or missing goods and any discounts allowed
“NIPO”	National Intellectual Property Office of Sri Lanka
“Resources of UOM”	UOM’s physical structures, research laboratories, capital equipment, technical facilities and services and personnel.
“Works”	Any literary, artistic or scientific work referred as “works protected”
“Works protected”	(a) pamphlets, articles, computer programs and other writings ; (b) speeches, lectures, addresses, sermons and other oral works ; (c) dramatic, dramatic musical works, pantomimes, choreographic works and other works created for stage productions; (d) stage production of works specified in paragraph (c) and expressions of folklore that are apt for such productions ;

(e) musical works, with or without accompanying words ;

(f) audiovisual works ;

(g) works of architecture ;

(h) works of drawing, painting, sculpture, engraving, lithography, tapestry and other works of fine art ;

(j) photographic works ;

(k) works of applied art ;

(l) illustrations, maps, plans, sketches and three dimensional works relative to geography, topography, architecture or science.

Any other definition

Shall have the same meaning as given in the Intellectual Property Act No.36 of 2003.

4.0 Commercialization Procedures

The UOM promotes three modes of Commercialization procedures as indicated below:

1. Formation of Startup or Spinoff Companies
2. Non-Exclusive Licensing
3. Exclusive Licensing

If the inventor is of the opinion that the best mode of commercialization of the Intellectual Property is through formation of a Startup Company or Spinoff Company, UOM will provide maximum support to inventors to setup a Startup Company or Spinoff Company for this purpose.

In cases where inventor already has set up a Company or does not have enough resources/desire for business, UOM promotes the Commercialization through Non-Exclusive Licensing or Exclusive Licensing modes.

If the inventor is of the opinion that the intellectual property intended for commercialization is applicable for a variety of markets, UOM promotes Intellectual Property to be licensed to several licensees who would commercialize in each of these different markets creating a potential of multiple revenue streams through Non-Exclusive Licensing mode.

If the inventor is of the opinion that the intellectual property intended for commercialization needs:

- a) a significant amount of product development work yet to be carried out and/or
- b) a significant amount of investment to get market clearance from regulatory bodies,

UOM promotes the Intellectual Property to be licensed to a single licensee through Exclusive Licensing mode.

Inventor shall submit a Product Commercialization Plan as per **Annex III** to commence the product Commercialization Process.

4.1 Formation of Startup or Spinoff Companies

Under this category, a Startup Company or Spinoff Company is registered under the Registrar of Companies in Sri Lanka to develop and commercialize the Intellectual Property. UOM shall be a Share Holder where commercialization fee is waived in lieu of the 10% equity share as listed in **Annex I**.

For Startup Companies, UOM will monitor the progress through a representative of UOM appointed to the Board of Directors. The Startup Company needs to be setup outside the premises of the UOM.

For Spinoff Companies, UOM will monitor the progress through a representative of UOM appointed to the Board of Directors. The Spinoff Company is allowed to use the facilities made available through the incubators setup inside the premises of UOM and the laboratory facilities of UOM whenever such facilities are available after allocating for teaching and research activities of UOM students and staff members.

In lieu of the Intellectual Property ownership and the usage of resources of UOM by Startup Company or Spinoff Company, UOM shall be paid 1% royalty out of Net Sales and the dividends in proportionate to the ownership of shares as listed in **Annex I**.

4.2 Non-Exclusive Licensing

In this type of licensing, the Licensee is given the non exclusive right to make, have made, use and sell the given technology by the licensee without the right to sublicense to others. For this purpose, licensee shall pay the annual/upfront fee listed in **Annex I** as decided by the Council of the UOM based on the recommendation made by the TLO under the direction of IPAC. Further, licensee shall pay a Royalty fee listed in **Annex I** out of net sales as decided by the Council of the UOM based on the recommendation made by TLO under the direction of IPAC. The Annual or upfront fee and royalty fee will be adjusted time to time, based on case by case basis, by the Council of the UOM based on the recommendations made by the IPAC.

4.3 Exclusive Licensing

In this type of licensing, the Licensee is given the exclusive right to make, have made, use and sell the given technology by the licensee without the right to sublicense to others. For this purpose, licensee should pay an annual fee/upfront fee listed in **Annex I** as decided by the Council of the UOM based on the recommendation made by TLO under the direction of IPAC. Further, licensee shall pay a Royalty fee listed in **Annex I** out of net sales as decided by the Council of the UOM based on the recommendation made by TLO under the direction of IPAC. The annual/upfront fee and royalty fee shall be adjusted time to time, based on case by case basis, by the Council of the UOM based on the recommendations made by the IPAC.

5.0 Technology Licensing Office (TLO)

All issues related to the marketing aspects of Intellectual Property will be handled by TLO under the direction of IPAC. The number of staff members required for the TLO will be decided by the Vice Chancellor based on the recommendation made by IPAC. TLO will be managed by a Director appointed among the Senior Academic staff members of the UOM.

In case of non-exclusive licensing, TLO shall recommend the royalty rate by taking the average of royalty rate where each prospective licensee is willing to pay.

In case of exclusive licensing, TLO shall recommend the royalty rate by taking maximum royalty rate where each prospective licensee is willing to pay.

In case of exclusive licensing, TLO shall recommend the minimum annual fee/upfront fee by taking maximum fee each prospective licensee is willing to pay.

TLO may use methods such as private placement, listing on the UOM website and other websites, emails etc. to generate interest and promote a sale.

TLO shall provide details of the Intellectual Property to any investor, buyer or a third party under confidentiality undertaking executed through a non-disclosure agreement.

TLO shall use the information in Product Commercialization Plan (as per **Annex III**) submitted by the inventor for finding prospective licenses and to negotiate the royalty rate.

6.0 IP Commercialization Fund

To meet the expenses related to marketing, incentives for TLO staff, payment of incentives to the domain experts and IPAC committee members, in terms of Section (VI) of the Intellectual Property Policy of the UOM, ten percent (10%) of gross revenue resulting from Intellectual Property shall be credited to a special fund that may be designated as

“IP Commercialization Fund”. The fund shall be administered by the IPAC under the supervision and the directions of the Vice-Chancellor.

7.0 Special Provisions for Inventors

If any inventor is interested in obtaining Exclusive or Non-Exclusive license for the Intellectual Property as the case may be, the provisions of this clause and ***Annex II*** shall apply.

8.0 Conflict Resolution

Any complaints or grievances arising from the Product Commercialization, first instance shall be mutually resolved after submitting to IPAC and any complaints or grievances that remain unresolved for more than 60 days from receipt by the IPAC shall be referred to the Vice-Chancellor for necessary action.

Annex I: Fees and Royalty for Commercialization

IP Type		Stat up/Spinoff	Non-exclusive Licensing	Exclusive Licensing
Industrial Property	Patents/inventions (product/process)	10% equity + 1% royalty out of net sales+ Dividends	50,000/= annual fee + 1%-3% royalty out of net sales	250,000/= minimum annual fee + 1%-3% royalty out of net sales
	Industrial design Marks	10% equity + 1% royalty out of net sales + Dividends	2%-3% royalty out of net sales	2%-3% royalty out of net sales
Copyright of works/ works protected	Scientific works	10% equity + 1% royalty out of net sales + Dividends	50,000/= upfront fee	250,000/= minimum upfront fee
	Literary works			
	Artistic works			
	Derivative works			
Related rights	Performances of performing arts	Shall be decided by the IPAC in consultation with the Vice-Chancellor as appropriate		
	Phonograms			
	Broadcasts			

Annex II : Special Provisions for Inventors

IP Type	Non-Exclusive Licensing	Exclusive Licensing
Industrial Property	[Annual Fee x 40/100] + [Statutory Charges of NIPO]	[minimum upfront fee x 40/100] + [Statutory Charges of NIPO]
Copyrights of Works/works protected	[Upfront fee x 40/100] + [Statutory Charges]	[Upfront fee x 40/100+ Statutory Charges]

Annex III: Product Commercialization Plan

The Inventor shall submit a “Product Commercialization Plan” indicating:

1. Details of the Intellectual Property
2. Time frame of the development
3. Declaration of originality, on non-infringement of Intellectual Property rights of others etc;
4. Cost of the development with a breakdown
5. Potential applications of the Intellectual Property
6. Further development and estimated cost of the same
7. Intellectual Property value and method of valuation
8. Potential investors/buyers; and
9. Whether the Inventor wishes to develop the Intellectual Property through a Startup Company, Spinoff Company, Non-Exclusive Licensing or Exclusive Licensing.

If the inventor requests assistance for the preparation of the above report then the IPAC shall provide the assistance of an Expert. Product Commercialization Plan will be referred to the TLO for finding prospective licenses and to negotiate the royalty rate.