

**Virginia Polytechnic Institute and State University  
Intellectual Properties Committee  
October 9, 2008**

**FULL COMMITTEE**

The Intellectual Properties Committee met October 9, 2008.

The following members were present: Dr. Tom Inzana, Ms. Kay Heidbreder, Dr. Robert Broadwater, Mr. Mark Coburn, Dr. R.J. Harvey, Dr. Barbara Lockee, Dr. Steve Sheetz, Mr. Ken Miller, Dr. Elizabeth Grabau, Dr. Joe Merola, Ms. Christa Thomas, Cindy Wilkinson. Invited guests present were Ms. Carol Roberson, Ms. Denisa Olteanu, Mr. Steve Capaldo. Shelly Key recorded the minutes.

Those members not in attendance were: Dr. Stephen Boyle, Dr. Robert Walters.

**Call to Order**

Dr. Inzana called the meeting to order at 12:05 p.m. He introduced new committee member Dr. Joe Merola and stated that the current committee is now complete and up to date for this year.

Dr. Inzana called for a motion to approve the minutes from the last meeting held on August 20, 2008. The motion was made by Kay Heidbreder, seconded by Robert Broadwater, and unanimously carried.

The only new agenda item concerns how royalties are distributed if a PI personally does not want to receive the royalties. Ken Miller explained that, in the case before the committee, the inventors do not want to receive the money themselves and instead want to deposit the funds in the Foundation. There are IRS rules that relate to this whereby if you control the funds at all (if you can direct them in any way, shape or form) it's as if you were paid those funds. VTIP would have to treat this as if it were distributed and issue a 1099 and handle it accordingly. If the inventors have any control over the funds, it would have to be considered income. The inventors have the option to receive the money as income and then give it as a gift to the Foundation. After learning this, the inventors advised they still want to put the money in the Foundation. The policy states that the money is shared between three areas – the inventors, the department, and VTIP. There is no mechanism to put funds that would go to the University into the Foundation, unless the inventors want to claim the revenue and give it as a gift.

Cindy Wilkinson from VTTI added that in conversations with the inventors on how to share the royalties, she learned that many more people participated than were named as inventors. In the spirit of rewarding those individuals that were not named

as inventors, one thought was they could donate the money to benefit all of VTTI. Kay Heidbreder suggested they could leave the money with the department and Ken Miller stated that would be totally appropriate. The policy states that the revenue can be shared between VTIP, the Department, and the Inventors – 50% for the inventors and 50% between the Department and VTIP. Ms. Heidbreder suggested that the committee could develop a policy or either bring each of these cases to this Committee and have the Committee recommend that the royalties that would normally be shared with the inventor be assigned to the department if the inventors chose not to accept the royalties. With either of these two options, the University is making the decision, and not the inventors; therefore it doesn't have the tax consequences for the individual.

The question was raised that if the decision is made for the money to go to the department will the inventors be giving up their right to the royalties for the life of this technology or could they could request at a later date to participate in the royalties. Mark Coburn suggested that they could make a proposal to this Committee and VTIP could accommodate whatever split was decided upon. However, if it goes to the department the inventors will not get the flexibility they would have if it was donated to the Foundation. Since the University can't give the money to the Foundation, the inventors would need to receive the money and donate it to the Foundation which will result in tax consequences. The department could put the money in an overhead account; however the money would be used according to State guidelines. Cindy Wilkinson stated that she felt the inventors were interested in the money being used for something to benefit the department, i.e., a picnic, a volleyball court. The only way this could be done is if the funds were donated to the Foundation and the Foundation would have to agree to honor such a restriction. Funds could be distributed to the other individuals by placing them in an existing departmental overhead account or an account could be created. Mark Coburn said it would be nice to provide the option to faculty to not accept the checks and they would automatically go into a departmental overhead account. The committee discussed options on how funds could be handled within legal boundaries and university policies if a faculty member does not want to receive the funds.

Dr. Inzana stated that it would be a good idea to find out exactly what the inventors in this case have in mind as well as thinking of a practice that will address this situation in the future. Cindy Wilkinson will inquire about their intent on behalf of the committee and email committee members with this information. Based on this information, the committee will then make a recommendation as to how to handle this issue in future cases.

### **Adjournment**

There being no other business, the motion to adjourn was made by Kay Heidbreder and seconded by Robert Broadwater. The meeting adjourned at 12:55 p.m.