

# The University of Michigan's Mess of Intellectual Property Policy

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## The 1944 Policy and Bylaw 3.10

In reviewing university IP policies while I consider how a policy can come to transfer, as if by magic, IP from an author or inventor to a university merely by the assertion of university ownership, I came upon the following [Form HR36100](#) at the University of Michigan titled "Supplemental Appointment Information." After a section in which the appointee provides name and social security number, we have this:

EMPLOYEE OATH	
By signing below, you are swearing or affirming to the following oath.	
In order to be employed by the University of Michigan, state law and Regent's bylaw 2.15 requires that you execute the following oath: "I do solemnly swear (or affirm) that I will support the Constitution of the State of Michigan, and that I will faithfully discharge the duties of my position and subsequent positions, according to the best of my ability."	
INTELLECTUAL PROPERTY ASSIGNMENTS	
By signing below, I agree to the following:	
As part of my obligations under Bylaw 3.10, I hereby assign to the Regents of the University of Michigan ("University") all right, title, and interest in patent rights in inventions made (e.g., conceived or first reduced to practice) by me as a University employee with the direct or indirect support of funds administered by the University (e.g., through the use of University resources or facilities) regardless of the source of such funds.	
I hereby accept the transfer of copyright—from the University to me—of the scholarly works I author in accordance with SPG 601.28 and as it may be changed from time to time.	
<b>Adherence to these terms and all Regents' policies, as they are from time to time amended, is a condition of continued employment at the University of Michigan. Do you agree to the conditions stated above?</b>	
Employee Signature:	Date:

It is apparent that university has implemented the "present assignment" intervention that has circulated in the tech transfer community by folks who don't understand the Bayh-Dole Act and refuse to accept the Supreme Court decision in *Stanford v Roche*. Thus, we have "hereby assign"

language upfront, before any invention has ever been made. The clever idea is that when any invention is made, it automatically becomes owned by the university by operation of this assignment document. The problem is not how the assignment is made, however, my clever children; rather, the problem is how the assignment is scoped--the definitions that operate, the inventions that come within that scope, and a reasonable interpretation of the assignment that has been made.

There is plenty not to like in how this assignment document is framed. First, take a look at [Regents Bylaw 3.10](#):

***Sec. 3.10. Ownership of Patents, Copyrights, Computer Software, Property Rights, and Other***

Unless otherwise provided by action of the Regents:

1. Patents and copyrights issued or acquired as the result of or in connection with administration, research, or other educational activities conducted by members of the university staff and supported directly or indirectly (e.g., through the use of university resources or facilities) by funds administered by the university, regardless of the source of such funds, and all royalties or other revenues derived therefrom shall be the property of the university.
2. Computer software created by members of the university staff in connection with administration, research, or other educational activities supported directly or indirectly by funds administered by the university, regardless of the source of such funds, shall be the property of the university. Such computer software may be made available for use on a non-exclusive basis by those who pay appropriate charges to reimburse the university for the costs of development, distribution, and reproduction.
3. The provisions of 1 and 2, *supra*, shall apply unless they are inconsistent with the terms of any applicable agreement with a third-party sponsor or provider of funds, in which case the university's agreement with such sponsor or provider shall control.
4. Patents, copyrights, and property rights in computer software resulting from activities which have received no support, direct or indirect, from the university shall be property of the inventor, author, or creator thereof, free of any limitation which might otherwise arise by virtue of university employment.
5. In cases which involve both university-supported activity and independent activity by a university staff member, patents, copyrights, or other property rights in resulting work products shall be owned as agreed upon in writing and in advance of an exploitation thereof by the affected staff member and the vice president for research in consultation with the Committee on Patents and Copyrights and with the approval of the university's Office of the General Counsel. It is understood that such agreements shall continue to recognize the traditional faculty and staff prerogatives and property rights concerning intellectual work products.

Bylaw 3.10 dates from at least the 1970s--I have been unable to trace its complete history. The first paragraph, however, is clearly based on the university patent policy from 1944, which was

still in effect in 1962 when Archie Palmer compiled his second set of university patent policies. The 1944 patent policy is so short I quote it in full:

Unless otherwise specifically provided by the Board of Regents, properties acquired by the University in connection with and for the prosecution of research projects carried on by members of the University staff shall belong to the University.

Unless otherwise specifically provided by action of the Board of Regents or by contract entered into under the authority of the Board, patents issued in connection with research projects and all royalties or profits derived therefrom shall belong to the University.

The 1944 policy presents two situations with parallel language. The first paragraph deals with properties the university acquires in connection with research projects. The second paragraph deals with patents "issued" in connection with research projects. This second paragraph claims ownership of the patents and any income from the patents.

"Properties" has been changed to "patents and copyrights"

"acquired" becomes "issued or acquired"

"in connection with and for the prosecution of " is "as the result of or in connection with"

"research projects" is "administration, research, or other educational activities"

"carried on by" now is "conducted by"

"shall belong to the university" becomes "shall be the property of the university"

In addition, 3.10 inserts a qualification regarding the nature of the projects:

supported directly or indirectly (e.g., through the use of university resources or facilities) by funds administered by the university, regardless of the source of such funds

The 1944 policy's second paragraph claim on royalties is rolled into the new 3.10 first paragraph, and now made to refer not only to patents and copyrights acquired but also ones that are "issued" (whatever "issued" means for copyrights).

The first paragraph concerns incoming patent rights. It makes sense that if the university acquires a patent to assist in the conduct of a research project, the university should be the owner of what it has acquired. The second paragraph concerns patents that "issue" in connection with research. What did this claim actually mean? It is clear from the Proceedings of the Board of Regents that faculty were expected to own their inventions unless a research contract required otherwise or the inventors voluntarily agreed otherwise. For instance, in 1960, the Board of Regents entered into [an invention management agreement](#) with the Michigan Research Foundation. The agreement provides that the university will "recommend" to faculty, associates, and employees (note the distinction between faculty and employees here) that they assign inventions to the foundation:

I. THE UNIVERSITY'S DUTIES. The University agrees to:

1. Recommend to members of its faculty, its associates, and employees, in such cases as The University may in its discretion determine, that they assign to The Foundation such inventions as they may make.

2. Afford to The Foundation, upon request, the advice and assistance of such members of The University's faculty, associates, and employees in seeking patents upon such inventions, without charge therefor.

So the university may recommend at its discretion that inventors assign inventions to the foundation, and the university agrees that inventors can help the foundation with patenting without the foundation having to compensate the university for the inventors' time. If the university expected to own inventions made by faculty in their research, there would be no need for any of this--the university would simply take assignment directly and assign to the foundation (or license to, or task the foundation as an agent) to patent and market the inventions. Other elements of the invention management agreement make all this clear. Article II, paragraph 10 requires the foundation to assign inventions, patent applications, and patents to the university on termination of the agreement:

10. Assign to The University or its nominee or nominees, upon any termination of this agreement, but subject to any letter-agreements which The Foundation may have entered into with inventors with respect thereto under Article II, paragraph 5, of this agreement, and subject also to any licenses, grants, working rights, agreements, or other contracts theretofore made by The Foundation with respect thereto, all inventions received by The Foundation hereunder, and patent applications filed, and patents issued thereon.

Importantly, the assignment to the university is conditioned on any "letter-agreements" between the inventors and the university. That is, arrangements between the inventors and the foundation take precedence, as to any other licenses or contracts. The assignment to the university is the place where all inventions go that are not otherwise provided for by agreements between the foundation and inventors, and between the foundation and others acquiring an interest in certain inventions. Again, if the university expected to own inventions outright as a matter of policy, there would be no reason to contemplate that inventors might have private agreements with the foundation regarding the disposition of ownership of the university's inventions.

Attached to the agreement as [Exhibit A](#) is a template letter-agreement by which the foundation is to request assignment of invention rights, negotiate sharing licensing income, and obtain an assurance of the inventor's assistance. It's clear that this letter-agreement sets out the terms of the transaction--this is an invention management agreement between the foundation and the inventor, with a request that the inventor execute an enclosed assignment of the invention to the foundation. It is also clear that the inventor has an opportunity to negotiate other terms, if desired.

In the 1944 patent policy, what then does it mean that "patents issued in connection with research projects" will belong to the university? Expressly, this language is not a claim on all inventions

made by university staff--it only concerns patents. Thus, if an invention were to be made and not patented, the policy makes no ownership claim. There is nothing here to force university inventors to patent their inventions. Further, the language is specific to research projects. Inventions made outside "projects"--and the language here indicates projects funded by external sponsors--are also not a concern of the policy. The policy appears to be concerned with inventions made in research funded by external sponsors in which the sponsors desired patents to issue on inventions made in a project. "In connection with" is not "arising in" or "as a result of"--there is something more specific indicated by "in connection with." My read is that what was meant was a situation in which patenting of inventions was specified in the statement of work, as an objective or deliverable of the contract. There is nothing to indicate that the policy aimed to claim all inventions made in the context of a research project. If that had been the objective of the policy, then that claim would have been included in the first paragraph of the 1944 policy, where faculty research is considered with only university support.

Sometime after 1960 and 1976, the Regents introduce Bylaw 3.10, revising the patent policy language. The revision reduces the two paragraphs to one, conflating incoming and new patent management. The revision adds copyright to patent (so seductive, so foolish), expands research to "administration, research, and other," changes "projects" to "activities," adds a restriction that the activities must be "supported" by university-administered "funds," and then tries to limit the restriction with expansions on support--direct or indirect--and funds--regardless of source.

Finally, the revision adds "as a result of" to "in connection with," making it clear, at least, that "in connection with" was not sufficiently broad. Whatever "in connection with" meant, it didn't mean "as a result of" or there would have been no need to add the extra language. If "in connection with" meant "as provided for in a contract with a sponsor," then "as a result of" must mean something else--such as simply that an invention is made, even if the sponsor and the inventors \*don't\* want to pursue a patent. That's a substantial change!

Even with the expansion of this expansion of scope, there is a difference between an *invention* arising in research (or a funded activity) and a *patent* being acquired or issuing as a result of the research or funded activity. If words mean things, then differences matter. If this is all just hand-waving for the university getting whatever it wants, then there's no point in reading carefully. Bylaw 3.10 does not claim inventions--it claims patents and connects these patents to activities supported by university funds or through the use of "resources or facilities." There's a big gap in there: if the university claims patents, not inventions, then inventors may not have to assign all their inventions to the university--only those inventions that they intend to patent, and then only those inventions that have been supported by university funding.

Let's stop to consider the problem of how funding connects with inventing. A person can work on a project a long time, and then, later, have a realization about how something might work, or how to get around a problem, or how to apply a result. The inventive step has nothing to do with

the project, which may have ended years previously, but the invention benefits from that project. For all that, one could study someone else's project and come to an inventive realization. Is that invention "a result" of the other investigator's project? One could run far afield if so--anything that anyone invents that could be traced back to a benefit coming from a university "activity" could be claimed by the policy. But such stuff is beyond any reasonable interpretation. Even if an invention is made during a project--at the same time as the project is being conducted--it's still the same analysis: the invention might benefit from the project activity, but in what sense is the invention (and much less, any patent) supported by university funding? It's not, unless there's evidence to show that the invention arises as an objective of the project.

This is a problem, then, with the move from "project" to "activity." No doubt the drafters were aiming to broaden the claim, but what they did was muddy it. A project, in the 1944 policy, carries with it the idea of a statement of work, a written agreement setting the objectives and plan for a piece of research. It is clear how a patent might issue from a defined project, and how that patent might have reasonable claims placed on it. But "activity" has no such boundaries. "Activity" is like "behavior"--any action is in some sense an "activity." There's no indication of boundaries, of definition, of a written objective and plan--anything might be an "activity."

The implementing regulations for the Bayh-Dole Act start with this problem of scope, right there in [37 CFR 401.1](#). First thing, before definitions, even. The law restricts the scope of what federal agencies may count as a subject invention--even before we get to what subject inventions a federal agency might claim the federal government has a right to own. A subject invention is one made "in the performance of work under a funding agreement." The scoping statement in 37 CFR 401.1 takes pains to provide an interpretation for what this language means. It does not mean "during" a project. It does not mean anything closely related. It does not mean anything arising from work that was not "planned and committed," so long as the work does not "diminish or distract" from the performance of work under the funding agreement. We are left with a narrow scope--look to the grant sourcing documents such as the call for proposals, look at the proposal submitted, look at the requirements of the funding agreement (typically but not always 2 CFR 215), and determine what activities in the federally funded project were "planned and committed." If the invention arises in these activities (and if the (f)(2) agreement has been executed, or the inventors assign to their university anyway), then the invention is a subject invention--that is, it is within scope of the requirements of the standard patent rights clause on disclosure and retention of rights.

But in the Michigan case, we find the university making the scope less clear rather than more definite. Activities within a defined project funded by the university may give rise to an invention that the university might claim. But an activity without a project could be anything. Similarly for the idea of "indirect" funding through the use of "facilities" (generally, buildings, but bad policy drafters seem to love abstractions, thinking abstractions are clearer, or at least more authority-sounding). If a faculty member goes to the library regularly to think creatively, is

that an "activity" that's "indirectly funded" through the use of a university "facility"? One might think that even the provision of a salary is sufficient to capture "indirect funding" of any activity, if "resource" (another grossly abstract term) can include "human capital"--the inventor herself. But going this far does not hold up, because Paragraph 4 distinguishes between university "support" and university "employment." Even though Paragraph 4 is ineptly drafted to conflate "supported by funds administered by the university" with "university support"--different things, it still manages to make clear that employment is not the standard on which 3.10's claim is built. There has to be money other than salary at play, and--by implication--use of resources or facilities that are allocated to an activity other than an activity of employment. In the old-style university patent policies, before Bayh-Dole, a university had to allocate support expressly--in a budget, in an agreement to allow special use of facilities--to have a claim to an equitable share of proceeds from the exploitation of a patent. That distinction still exists in 3.10, but it appears that the drafters were at some pains to bury it.

This is a typical strategy. Claim the revisions are to add clarity and refinement, but do them in such a way as to permit a fundamentally new interpretation once the revisions have been formally approved. The words don't appear to change much, but the later interpretations are often hugely different. The wording was chosen, no doubt, to be read by administrators as broadly as they chose to read it. If so, then the actual policy statement reduces to "the university owns whatever its administrators say they want." In fact, this is exactly what a university administrator reported to the Regents in 1985:

### **Intellectual Properties**

Vice President Sussman introduced the discussion on intellectual property. He indicated that the office was an important adjunct to enhance technology transfer at the University and within the state. He said that the University owns all intellectual properties of the faculty, as do peer institutions, with the exception of Stanford and Wisconsin. At The University of Michigan most of the research is derived from federal funds, and some with private funds from foundations. The royalty sharing policy of the University, which was recently changed, gives the inventor greater financial recognition and incentive.

The university just owns everything, and so does most everyone else. This, despite a policy history that does not provide for that at all. From the words in the policy, a reasonable interpretation--as distinct from the late Dr. Sussman's assessment--is that there must be some showing of university support--a budget, a written agreement, a special allocation of resources, a contract with a sponsor, a donor's restrictions--that provides a definite bound for an "activity" to be one supported by university funds and thus within the scope of the policy claim. Otherwise, why write a policy this way, other than to bamboozle faculty?

The 1944 policy claimed patents issued in connection with research projects. The later Bylaw 3.10 claimed patents acquired or issued as a result of or in connection with research and with administration and with any other educational activity. The "other" perhaps is intended to make "research" and "administration" merely illustrative, and adding "educational" is not supposed to indicate "instruction" but rather "higher educational"--anything that is remotely associated with the university, anything that the university might take credit for.

But lists don't necessarily expand claims--they may actually reduce them. The difference is between what an administrator wants to use the words to mean and what a judge, considering what a reasonable party dealing with what amounts to an adhesion contract, might construct as the sense of the statement. In copyright practice, one convention is that if a party provides a list, say, of media, even if there's some tag such as "including but not limited to," the list is all one gets, not the list and everything unstated that is "just like the list" or "obviously in the same set as the list." Et cetera is not a term of art with which to provide clarity.

Here in 3.10, "other educational activities" aims to make the policy claim "any educational activity" but one might well find a judge willing to restrict the policy to "research activities" and "administrative activities"--and only research activities meaningfully result in inventions. It's hard to see how a clerical worker could be construed to be hired to invent, or have invention within the scope of his or her duties. Even the standard patent rights clause authorized by Bayh-Dole excludes clerical and non-technical workers. That's done for public policy reasons, not as an oversight or out of generosity. Universities are subject to the same public policy arguments. It's strange that the university patent administrators turn out as a bunch mostly not to care about public policy, while giving lip service to public mission and public benefit and all the help and incentives they aim to provide to inventors.

I have come to believe that a number of university tech transfer professionals (both managers and lawyers)--people who should be expected to be careful with their drafting--are barely literate when it comes to university policy documents. They desperately want the documents to claim everything possible, as expeditiously as possible, and free themselves from any accountability to inventors for anything they do--that is, in some dark part of their souls, they want to be institutional invention fascists. The last thing these people want is to be agents for inventors or colleagues ready to collaborate on an equal basis. They want the authority, the stream of disclosures, and the salary, but they don't want to be careful with policy or accountable for their decisions and the outcomes of those decisions. Worse, by far, than the invention management companies that advertise late at night.

You have been brave to read this far. Now let's back to that present assignment agreement, to show how it garbles 3.10, which already has made a hash of the long-standing 1944 patent policy.



As part of my obligations under Bylaw 3.10, I hereby assign to the Regents of the University of Michigan ("University") all right, title, and interest in patent rights in inventions made (e.g., conceived or first reduced to practice) by me as a University employee with the direct or indirect support of funds administered by the University (e.g., through the use of University resources or facilities) regardless of the source of such funds.

I don't see how Bylaw 3.10 creates an obligation for university employees. It establishes an expectation within the Board of Regents, a corporation established to operate the university. University officials may have an obligation to give effect to the Bylaw by taking actions to secure patents that the Board of Regents intends to claim, but the obligation gets to employees not by a notice regarding the desires of the corporation, but by actual agreements made between employees and the university. The Supplemental Appointment Information form is mislabeled. It is actually an assignment form tied to an employment agreement, except it appears to come afterwards, and be subordinate to the appointment, not a precondition. So "As part of my obligations" is actually "The Board of Regents requires you to make the following assignment."

Now let's clean up the garbage. The assignment is limited to "patent rights in inventions." So far so good--that's much like "patents acquired or issued"--except, of course, it isn't. 3.10 operates on patents, not on inventions, and so operates only where patents have come into existence. Yet this assignment is directed at patent rights in a class of inventions, regardless of whether patents are desired, applied for, or obtained. That's an expansion of claim beyond what 3.10 authorizes. One might think it is abuse of authority. But perhaps it is just incompetence. If incompetence, it is a convenient one for attempting to broaden the claim.

More: "inventions made (e.g., conceived or first reduced to practice)." This is filled with delightful nonsense. First, "e.g." means "for example" not "that is." The parenthetical does not explain what "made" means, but rather gives examples of what "made" means. And yet, for federal patent law, an invention is not "made" until it is *both* conceived and reduced to practice. Reduction to practice may be constructive (describe the thing) or actual (make or do it). Without both, no invention is "made." But here we don't have an *and*, we have an *or*. For this assignment, an invention is made when it is either conceived or first reduced to practice. That's garble. If an invention is made when it is conceived, there are no patent rights in it to assign, so the assignment does not operate. Same for an invention first reduced to practice, but not conceived. Patent law is clear that an inventor must recognize an invention as inventive to be an inventor. One can build something and not realize the significance of the work. Again, nothing operates in the assignment. What is left out--and totally ambiguous--is the condition that matters the most, when an invention is both conceived and reduced to practice. Then it is potentially patentable; then the assignment might operate.

Where does this "or" construction come from? The likely source is the Bayh-Dole Act and the definition of subject invention. "Subject invention" is not a definition of an invention, but of the

scope of a federal agency's interest in inventions made with federal support. The difference is substantial between what constitutes a patentable invention and what constitutes an invention within the scope of a contractual claim. Bayh-Dole defines a subject invention as an invention (an invention that is or may be patentable) "of the contractor" (that is, owned by a party to the funding agreement--and the inventors are to be parties to the funding agreement) that is "conceived or first actually reduced to practice in the performance of work under a funding agreement." The scoping statement does not define invention, but sets out what one has to find in the statement of work, the "planned and committed activities," to justify a finding of a subject invention. Specifically, one has to find that the planned and committed activities include either conceiving the invention (solving a specific problem, say) or first using the invention for its intended purpose--actually reducing it to practice.

The definition of subject invention then catches certain potentially patentable inventions. But for the scope to operate, the invention must first be potentially patentable. That is, it must be both conceived \*and\* reduced to practice. That's what the definition of "invention" in Bayh-Dole requires. Once you have an invention that satisfies both elements, then one looks to see whether either element, or both, were "planned and committed" in the funding agreement statement of work. If either element is present in the statement of work, then the invention (if it is owned by a party to the funding agreement) is a subject invention. Otherwise, it is outside the scope of the definition of subject invention and not within what a federal agency has contracted. It's not that the agency has a claim outside of Bayh-Dole and the standard patent rights clause--it's that the agency has no claim whatsoever, other than if it were to invoke eminent domain or national security (another way to deal with inventions that an agency wants to have live in perpetual darkness--I've seen this happen).

Again, first there's a patentable invention. Then there's a check with the statement of work. If either conception or actual build/use is planned for and committed, then the invention is subject to a patent rights clause--typically 37 CFR 401.14(a) or 37 CFR 401.9. The use of "or" in the scoping agreement, in contrast to the "and" in the definition of a patentable invention, covers the three possibilities that may arise in a statement of work:(i) conception of an invention is part of the planned and committed activities, but actual reduction to practice is not; (ii) actual reduction to practice is part of the planned and committed activities, but conception (solving a problem, say) is not; or, obviously, (iii) both elements may be found in the statement of work.

So you can see how the Michigan present assignment statement clucks this all fup. It defines an invention as either element, rather than requiring at least one element to be within scope for an invention that otherwise already is potentially patentable. Then it requires the prospective--future patent rights to either of these elements. Of course, no inventions have been made at the time of assignment. But further, the scope of when the assignment operates ends up being greatly expanded over the authority for ownership established in Bylaw 3.10. The patent rights get assigned not only before there is any invention, but also when only part of an invention gets

made--conception or reduction to practice--so the future patent rights are assigned upfront for what amount to be non-patentable inventions. A mess.

Not done. There's a set of restrictions on the scope of assignment.

"as an employee"

"with the direct or indirect support of with the direct or indirect support of funds administered by the University (e.g., through the use of University resources or facilities) regardless of the source of such funds"

Notice that the parenthetical has been moved from immediately after "indirect" in 3.10 to after the entire clause. In 3.10, the parenthetical modifies the meaning of "indirect" funds used to support "educational activities," while in the present assignment clause, the parenthetical modifies the entire clause--both direct and indirect support. In the assignment, this shift could reasonably be read as limiting the assignment (in the future) to patent rights in *\*inventions\** that have received support, not in *\*activities\** that have received support. The switch is important. Bylaw 3.10 asks whether an activity has been supported by university funds. If so, any patent "resulting from" or "in connection with" is claimed. But in the present assignment, it is patent *\*rights\** in any *\*invention\** that is funded by the university--the review is whether the invention was funded, not the activity.

The present assignment also adds a further restriction, one that carries its own consternation. The invention must be made by the inventor "as an employee." This is not a qualification of Bylaw 3.10. All that matters to 3.10 is that an educational activity was funded by the university. In the present assignment, what matters is that the inventor made the invention "as an employee" AND the *\*invention\** was funded by the university. We have discussed the distinction Bylaw 3.10 makes between "support by funding" and the exclusion of limitations that might otherwise arise from "university employment."

What does this mean? It means that the Bylaw 3.10 does not claim patents made as a result of the activity of *\*employment\**--but only those that are connected with "educational activities," if such activities can be anything other than "research projects" that receive special funding or provision of lab resources--the focus of the 1944 policy, which is looking better all the time. But the present assignment expressly limits the inventions to those made "as an employee." This claim appears to be entirely outside the authority of Bylaw 3.10, which focuses on specially supported activities, not those that arise from mere employment.

There's another huge problem with the use of "as an employee" in the present assignment. As the US Supreme Court majority opinion put it in [\*Stanford v Roche\*](#):

But, as noted, patent law has always been different: We have rejected the idea that mere employment is sufficient to vest title to an employee's invention in the employer....

"Employment" means something specific in IP contexts, not mere "payment of money" to support faculty. For patents, there has to be some form of patent agreement that supports a claim by an employer to a patent right. Some states have codified this condition in state law, to make the public policy explicit. For instance, [California Labor Code 28270-2872](#) limits claims made by an employer to those that

(1) Relate at the time of conception or reduction to practice of the invention **to the employer's business**, or actual or demonstrably anticipated research or development **of the employer**; or

(2) Result from any work performed by the employee **for the employer**.

I have bolded the key repeated emphasis--the invention has to relate to the \*employer's business\*, to research \*of the employer\*, \*for the employer\*. It is not correct to substitute "university" for "employer" and "at" for "of" and think it's all the same. It's not. The use of "employer" in the California Labor Code here makes clear that the employer is specifying the work, has a business interest in the result, and directs the employee to perform work for the employer. Mere employment is not sufficient. Mere payment of a salary to support personally directed activity is not enough. And the state law makes it clear that it is against public policy, at least in California, Washington, Illinois, and other states that have implemented similarly worded laws, that simply changing an employment agreement to require assignment of inventions for whatever an employee might do while employed is not a legal, enforceable work-around.

Copyright law, which is drawn in by Bylaw 3.10, works in a similar way. While a "work made for hire" is defined by federal law as a work "prepared by an employee within the scope of his or her employment," for the employer to be the author, the employer has to demonstrate control over the work being prepared. The US Supreme Court in [Reid v CCNV](#) argues that "scope of employment" is adapted from the common law of agency, and that common law must take precedence over any state law:

the general common law of agency must be relied on, rather than the law of any particular State, since the Act is expressly intended to create a federal law of uniform, nationwide application by broadly pre-empting state statutory and common-law copyright regulation.

The Supreme Court then examines four interpretations of what "within the scope of employment" might mean:

- 1) "a work is prepared by an employee whenever the hiring party retains the right to control the product"
- 2) "when the hiring party has actually wielded control with respect to the creation of a particular work"
- 3) "the term "employee" within 101(1) carries its common-law agency law meaning"
- 4) term "employee" only refers to "formal, salaried" employees"

The Court sets aside the first two approaches, arguing that control is not the determining factor. "Congress," the Court argued, "meant to refer to a hired party in a conventional employment relationship." We pause to note that university faculty are generally *\*not\** in a conventional employment relationship, there is not the usual "master-servant" relationship in such agency. The faculty member does not do the bidding of the master. The faculty member is called a "member" with an "appointment" for a reason that goes way beyond the appearance of old language. The old rights to control work still live on.

The Supreme Court then lays out a number of factors to consider in determining whether there is an employer-employee relationship *for the production of any given work* (citations removed, formatted as a list):

In determining whether a hired party is an employee under the general common law of agency, we consider the hiring party's right to control the manner and means by which the product is accomplished. Among the other factors relevant to this inquiry are

- the skill required;
- the source of the instrumentalities and tools;
- the location of the work;
- the duration of the relationship between the parties;
- whether the hiring party has the right to assign additional projects to the hired party;
- the extent of the hired party's discretion over when and how long to work;
- the method of payment;
- the hired party's role in hiring and paying assistants;
- whether the work is part of the regular business of the hiring party;
- whether the hiring party is in business;
- the provision of employee benefits; and
- the tax treatment of the hired party.

For university faculty, the skill, source of tools, location, right to assign, discretion, use of assistants, and regular business tests are regularly in their favor. Faculty are not required to

produce any particular scholarly works, and the university does not assign or review those works. Indeed, the university as an "employer" is decidedly disinterested in the topic or substance of faculty work, other than that it is scholarly and notorious. The principles of tenure and academic freedom, built into nearly every faculty appointment, push these agency tests even further. The hiring party--the university--expects faculty to stay and once a faculty member has been granted tenure, the university declines to fire the member for failure to produce scholarship or seek grants. The penalty, if there is one, is that the faculty member might be denied promotion or access to special resources and may be assigned to undesirable office space or teaching schedules. There is no conventional master-servant relationship between a university and its faculty members over nearly the entirety of their scholarly production. Nor are they "independent contractors" commissioned to produce works, unless there's some express written agreement for them to do so--as many university copyright policies still acknowledge.

Employment for copyright purposes must entail for each work a review of the circumstances--what is there that evidences that the employer has standing to be considered the author of the work--not simply having the right to control the work or actually controlling the work (*neither of which* a university normally exercises over its faculty)--but is the faculty member acting as a servant to the university, as an agent of the university, in producing any particular work? For most all faculty work, the answer must be "absolutely not"--not merely as a technicality, not as an oversight of paperwork or wording, but as a matter of public policy, as expressly laid out in the concepts of "member" and "appointment," of tenure and academic freedom. When we touch on the second weird assignment in the Supplemental Information Form, we will come back around to this point.

Returning once again to the matter of employment for patents, we see that there cannot be two different versions of employment operating in one document concerned with patents and copyrights. Even if there were, how would anyone reading the document think to understand such a thing? Furthermore, it is a failure to argue that everyone can see what the university "intends" with its wording--that it must want to own everything it chooses to own. As a California court stated in a case involving [the University of California's patent policy](#):

The true intent of a contracting party is irrelevant if it remains unexpressed.

It does not matter if Dr. Sussman tells the Regents that the university owns faculty work. What matters is what is expressed in the agreement that is put in front of the faculty. Words matter. Words mean what they mean as a meeting of minds, not as a secret wish list of university administrators. That's why it's so pernicious that university patent administrators write policies as if they are contracts imposed on the faculty, and then include language that the university is the sole arbiter of the language they have written. The moment the University of Michigan puts the Supplemental Information Form in front of a faculty member to sign, it is creating an express contract, drawing in the Bylaws and patent policy. And as the Shaw court held:

We find no merit in the University's suggestion that, as a public employee who is employed pursuant to statute, not contract, Shaw has no vested contractual right in his terms of employment, such terms being subject to change by the University.

If the university can change the terms unilaterally, then it's not a contract. If it's a contract, then the expressed intent is what matters, not the administrative desire to control the interpretation of the document. That's why we read Bylaw 3.10 and the present assignment document carefully. Words matter.

Thus, if the present assignment restricts the scope of assignment to inventions made "as an employee," that restriction means something--and it's not "anything that someone might make while receiving a salary from the university." That's not patent law. That's not copyright law. If the invention is made as "an employee" rather than "while also an employee," then the university will have to show that it has directed the invention, has business involving the invention, that the invention was made for the university. Absent such a showing, an invention, by the words of the present assignment, is out of scope.

So where have we got to? That the present assignment document lays a claim that is outside the authority of Bylaw 3.10. That the present assignment restricts the scope of assignment to inventions made "as an employee" rather than, say, as an "appointee." That the present assignment purports to claim patent rights in a novel form of invention--one that is not even potentially patentable because it may involve merely conception or reduction to practice. That the present assignment fails to obtain a swath of patent rights that Bylaw 3.10 claims. A strange, convoluted, inconsistent, ambiguous, goofy, incompetent instrument. There's almost no way to establish what the university intends to have its personnel assign--there's no clear definition of the inventions that are anticipated, no statement of work, no requirement for written agreements, nothing. It's an assignment into the empty space of the future. Unlike a similar document used by a business, that has a line of business, that controls its employees, that expects employees to perform work as agents of the business, in a master-servant relationship, the university has nothing of this. The present assignment is legal-looking form that does next to nothing. What foolishness. Yet, the university has access to virtually unlimited legal budget to stick its interpretation to anyone who might challenge it. As one attorney who defends faculty told me, and I paraphrase, such cases are winnable--it just takes a couple of hundred thousand dollars to prove it on the university.

All this, and [we have yet to look at the University of Michigan Technology Transfer Policy](#), which introduces all new muddle. At least, we can be relieved to know, Michigan is big on consistency in producing legal-sounding silliness. I just wish it was silly-funny and not silly-fascist. There's absolutely no humor or goodwill operating in these policy documents.

As an added bonus, in a later article, I will look at [the weird copyright reverse assignment](#) in this same present assignment document.

[In Part I of this series](#), we looked at the University of Michigan patent policy from 1944, which was still in effect in 1962, its unsettled relationship to the Board of Regents Bylaw 3.10, and a present assignment form last revised in 2014, which makes a mess of Bylaw 3.10 even while citing it as the authority for its requirements. We noted that while a senior university official was happy to inform the Regents in 1985 that the university owned all faculty work, a court in California dealing with the University of California patent policy made it clear that a "true intention" that's not expressed is "irrelevant" in the interpretation of a contract that incorporates the patent policy.

### **The Technology Transfer Policy**

In this Part II, we will add the complications of the University of Michigan [Technology Transfer Policy](#), which also claims its authority from Bylaw 3.10. There are multiple themes to explore. One is the layers of text, one piled on another, trying to do a single job. Greater bureaucracy creates inertia to change and buries change in ambiguity. This serves bureaucracies that control interpretation, but it does not provide the clarity and stability that written instruments claim will result from their existence. A second theme continues to be an exploration of how a policy document that binds an institution to patterns of dealing can become a contract that forces individuals to give up personal property to the state of Michigan as a condition of providing services desired by the state of Michigan.

A third theme, as you might have come to expect, is a meditation on the incompetence of the drafting that implements the whole elaborate scheme. The result is a complex document structure--but not a complexity worth understanding as a means to getting at technology transfer. Moving new technology from one practice area to another is often challenging enough. What university administrators have done is create their own nest of bureaucratic complexities that overwhelm any focus on the challenges that exist, and would be in evidence, were the university to have a simple, clear patent policy and be out of the business of being a monopoly-loving, inept, unaccountable technology rentier.

University policies typically consist of a stack of documents. At the top are regents bylaws and regulations. These are regulations embedded in the framework of the organization, usually a corporation, that operates the university. These documents establish the structure of the university and delegate powers and tasks to senior officers of the university. Below the regent documents come policies and executive orders. These instruments implement the functions of the university under the authority of the regents corporation. Policies provide the specifics of everything from the academic senate to purchasing to parking. The procedures that implement policies form a third layer of documents, often assembled into an operations manual. Procedures



typically recite policies and set out how any given unit actually does things. Finally, at the lowest level--but at the level of actual practice--there are template documents that stand for the information forms, authorizations, reviews, approvals, understandings, agreements, appeals, and transactions by which the university carries out its functions.

Surrounding all of this may be informal restatements of any of these documents, in the form of helpful information, summaries, "plain English," training and advice, and administratively convenient reference.

- Regents Bylaws and Regulations
- Policy and Executive Orders
- Operations Manual
- Templates and Forms
- Informal Guidance

In theory, these documents are consistent, show clear flow of authority and control, and if followed scrupulously, lead always to the proper conduct of the business of the institution, making it financially efficient, happy, vibrant, and effectively responsive to the competing interests of its diverse constituents. With formal processes, issues become settled before they even arise, the bother and uncertainty of negotiation is reduced, the potential inequality of inconsistent decisions is eliminated, and with it the institution may rely to a greater degree on the structure of its policy documents and less on the personal judgment and decisions of either its administrators or faculty committees. It all sounds good, if one believes in the power of sacred texts to communicate obligation. At the back of it all is Plato's critique in [\*Phaedrus, in the voice of Socrates, of the problem of writing\*](#):

Soc. At the Egyptian city of Naucratis, there was a famous old god, whose name was Theuth; the bird which is called the Ibis is sacred to him, and he was the inventor of many arts, such as arithmetic and calculation and geometry and astronomy and draughts and dice, but his great discovery was the use of letters.

Now in those days the god Thamus was the king of the whole country of Egypt; and he dwelt in that great city of Upper Egypt which the Hellenes call Egyptian Thebes, and the god himself is called by them Ammon. To him came Theuth and showed his inventions, desiring that the other Egyptians might be allowed to have the benefit of them; he enumerated them, and Thamus enquired about their several uses, and praised some of them and censured others, as he approved or disapproved of them.

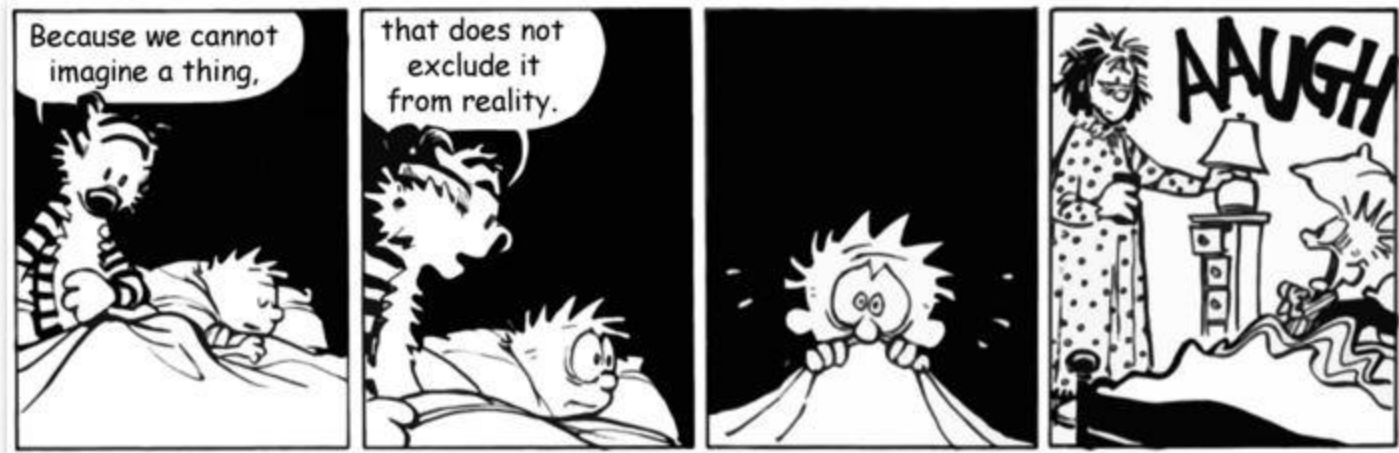
It would take a long time to repeat all that Thamus said to Theuth in praise or blame of the various arts. But when they came to letters, This, said Theuth, will make the Egyptians wiser and give them better memories; it is a specific both for the memory and

for the wit. Thamus replied: O most ingenious Theuth, the parent or inventor of an art is not always the best judge of the utility or inutility of his own inventions to the users of them. And in this instance, you who are the father of letters, from a paternal love of your own children have been led to attribute to them a quality which they cannot have; **for this discovery of yours will create forgetfulness in the learners' souls, because they will not use their memories; they will trust to the external written characters and not remember of themselves.**

The specific which you have discovered is an aid not to memory, but to reminiscence, and you give your disciples not truth, but only the semblance of truth; they will be hearers of many things and will have learned nothing; they will appear to be omniscient and will generally know nothing; **they will be tiresome company, having the show of wisdom without the reality.**

I don't know of a clearer classical description of the bureaucrat than that they are "tiresome company, having the show of wisdom without the reality." For nearly two decades, I had to play the role of the bureaucrat within complex university policy structures, and the daily fight was to see things clearly as they are, not to attempt to make university life imitate, if not conform to, written policy. The aim was to follow policy, of course, but to make policy work for the living, not to stand as a memorial of the wishes of the dead. That's a tough line to hold, and most administrators would rather hide behind policy than to be accountable for exceptions (unfairness, liability) or pressing for changes (five years or more of intricate fussing and politics). If any area of university life suffers from an overburden of policy, it's the stuff of innovation, discovery, epiphany, social and technology change.

Where an institution wants to conserve practice--granting "degrees," for instance--a policy that sets out the rites of that practice is marvelous. However, where the practice itself depends on change, on the new upsetting the old, of stepping into a future that has not been anticipated, or has been anticipated and rejected by old money and old habits and old elites, then a policy that dictates process in the guise of offering stability and fairness is not merely ineffective, it is ludicrous. It is perhaps [at the limits of the bureaucratic imagination](#) to propose that innovation, too, is just another institutional process that may be run by most any capable mid-level manager, provided with the proper policy oversight, budget, and catchy unit name. As Calvin & Muad'Dib--a mash-up of Calvin and Hobbes and Dune (yes, really)--has it:



Because we cannot imagine a thing, that does not exclude it from reality.

Now, with that excursus on policy and the tension between memory of the known and memory of the substituted sacred text, let's look at more of the University of Michigan's policy structure around IP and technology transfer.

We have looked at Regents Bylaw 3.10, which conflates two parallel paragraphs of the 1944 patent policy into one ambiguous paragraph, tosses in copyright with patent, qualifies everything with thoughts about resources and funding, and adds four more paragraphs to try to clean up the mess made by the first one. Now let's look at the [University of Michigan Technology Transfer Policy](#). The Technology Transfer policy claims to implement Bylaw 3.10 but adds the following:

The Policy **further defines** the ownership, distribution, and commercialization of rights associated with **Intellectual Property** developed at or received by the University of Michigan, and describes **the general obligations** associated with the technology licensing process. Substantive changes to this Policy, **as long as consistent with Section 3.10** of the Bylaws of the Board of Regents, **may be modified** from time to time by the Vice President for Research in consultation with the President, with notice to the Regents.

It's always worrisome when a formal document uses definitions as a way of broadening scope. The use of "further" indicates that the policy goes beyond 3.10's treatment, and uses a defined term ("Intellectual Property") even before the policy has got around to grappling with the fact that 3.10 concerns only patents and copyrights. In addition to announcing that the technology

transfer policy can go beyond the authority of 3.10, the policy also announces that an administrative official can change the policy at will, without further action by the Regents. So the opening move of the policy is to set aside the scope of 3.10 and announce that a vice president can change the policy at will. That's a pretty heady power move.

A second paragraph asserts the importance of "technology transfer." Technology transfer is "integral" to the "University's mission." But the policy then moves from technology transfer to the licensing of IP, while reciting the goals of technology transfer. Just because a general area of activity is integral does not mean that a subsidiary part of that general area of activity is also integral. I may argue that my car is integral to my daily life, but racing the car on city streets, something altogether possible, may not be integral at all to my life (and of course, actually is not integral at all). Class inclusion fallacies are a typical way in which bureaucrats without an eye on reality spin their importance. The policy is titled "technology transfer" but an early move of the policy is to claim the "focus" is IP licensing. Why not label the policy "IP Licensing" and identify the benefits that might arise from licensing rather than from transfer.

Keep in mind that words mean things. Technology transfer involves the movement of capability from one group to another. The receiving group practices the new technology, does not merely receive it into a warehouse and store it. Licensing disposes of rights, but may not move technology, may not result in any new group using technology. There is an entire industry built around betting on licenses, and one may make good money putting licenses out on IP without ever seeing the underlying inventions being practiced.

Indeed, much of the university "spin out" business is built on making paper companies and selling them to investors hoping in turn to sell them to more gullible investors, having primed the company up. Often the exit, if there is one, is to have the new company bought out by a "whale"--a company that wants to get a potential competitive threat out of the way, and so shuts the company down on acquisition and absorbs the core team into its own operations. The technology does not get used as technology, though it is licensed. The technology gets used to manage investment bets by a chain of investors betting on the prospects of an exit--which means making the prospects for a product look rosy. But no product needs to happen for money to be made the investors and the university.

Licensing does not imply technology transfer. Technology transfer does not require licensing. These are skew terms that have moments of overlap. Anyone using the terms interchangeably does not care what words mean or does not have a working knowledge of practice and is babbling.

Let's pause briefly to examine the statement of objectives for technology transfer. If a policy is going to state objectives, a good point of drafting is that subsequent policy directives refer back to those objectives to show how the directives accomplish those directives. Otherwise, the

objectives are just there for a feel-good moment and really have little to do with what the policy actually aims to do.

We work through the objectives by quoting and commenting, so you see the flow of a close read. Again, in policy statements, words mean things and are chosen to convey that meaning. If the writer does not care much about meaning, then most anything can be written, and the writer may be dismayed if anyone thinks to rely on the meaning of the words. As Henry Frankfurt has observed, writing without a regard for the truth, without an intent to mean what the words mean, is, to put a technical term on it, *bullshit*. You decide what's going on here.

"The objectives of technology transfer"--not the technology transfer policy--"include"--not "are," as if there are other objectives not in the list--

1) "to facilitate the efficient"--facilitate means to make something easier, but here, what is to be made easier is not technology transfer but rather *efficient* transfer--that is, transfer without waste, or organized transfer--

"of knowledge and technology"--neither knowledge nor technology generally are the subject of Bylaw 3.10, which concerns patents, copyrights, and software, and while the addition of software might be construed as a form of technology, it is not included in Bylaw 3.10 as a metonymy--that is, "software" in Bylaw 3.10 does not stand for "any technology," but that is what the Technology Transfer policy statement implies--the inclusion of "knowledge" suggests the policy extends its reach to expertise, information, and scholarship, and is not restricted to Bylaw 3.10's scope of patent, copyright, and software--

"from the University"--that is, from the corporate entity rather than from the individuals within the university who have the knowledge and per federal law own as personal property rights to inventions and works of authorship--

"to the private sector"--as distinct from the general public, perhaps meaning "to investors and companies," but if that's the case, then the objective stated here is to prevent knowledge and technology from moving to the general public or to the broader research community in favor of making it available to investors and companies to be exploited, and this pathway, the policy asserts, is

"in support of the public interest"--implied here is an argument that it is in the public interest for the work of university faculty and students to be funneled to investors via institutional ownership positions rather than published and taught. It's rather a brash and dramatic objective.

2) "to support the discovery of new knowledge and technology"--the policy is about the transfer of technology, but this objective has to do with how technology is produced, not how it is transferred, so we must consider what is meant by "support"--one might think that

"support" means "encourage" or "add expertise" but these could not be the meaning, as it's unlikely that technology transfer administrators are meant to join research teams to help in creating new ideas--so we turn to the old standby that "support" is administrative code for "provide money," which at least makes some sense, given that at least for federally supported projects the standard patent rights clause in funding agreements requires the university to use income after expenses for "scientific research or education"--if so, then the policy expressly states here that the university will use proceeds from licensing only for research and not for education--which is within the requirements of federally funded projects, but a loss to the use of proceeds to fund instruction and offset the costs of instruction to students--so the statement here, under the auspices of the Vice President for Research, is that purpose of technology transfer is to serve the research enterprise only and not the broader university enterprise--or, the rich get richer, or in the case of university research (which costs about 20% more to conduct than it brings in--so, yes, the big number that the university does not announce along with its grant income is the cost to spend that grant income--in the case of the University of Michigan, that cost is likely in the hundreds of millions that comes from somewhere *other than research*)

3) "to attract resources for the support of University programs"--here, "support" must mean "providing money" and "resources"--such a bland abstraction--must also mean "money"--"attract" then is abstract to suggest that the money could come in the form of licensing (the stated focus of the policy) or grants or donations or state allocations--that is, an objective of technology transfer is to make the support of "programs" (not students, not faculty, not the public) attractive to interests outside the university--we might recast this in plain language as "to promote the successes of the licensing program as evidence for the excellence and potential of the research programs, further enhancing the ability of those programs to land grants, contracts, and donations"--so the parts 2 and 3 reduce to "making money from licensing" and "using licensing success to make money from grants, donations, and enhanced state funding"

4) "to provide services to University Employees"--here "technology transfer" shifts from a general activity to a programmatic activity of a university office, so that this is an objective of the Technology Transfer Office, rather than an objective of technology transfer--

"University Employees"--is a defined term as well, meaning in short "employees and non-employees" and thus must be capitalized, to indicate that words are being used, at least here, in ways that mean something other than what one might expect them to mean--

"to facilitate their efforts to carry out the University's mission"--the [university's mission statement](#) is:

The mission of the University of Michigan is to serve the people of Michigan and the world through preeminence in creating, communicating, preserving and applying knowledge, art and academic values, and in developing leaders and citizens who will challenge the present and enrich the future.

The Office's objective is to make this work easier ("facilitate")--so we will look for how anyone at the university might say, "Wow, it sure is good to have the Office around, my work is so much easier now."

5) "to promote local, state, and national economic development"--that is, not foreign economic development--but the open question is whether this objective is one for the Office or of technology transfer as an activity, that is, is the Office to "promote" economic development, or should technology transfer be conducted so that a result of the activity is the promotion of economic development?--the answer turns on what is meant by "promote" which can mean either to "rally efforts, encourage, advertise" or "advance, contribute to"--so is the objective here to advertise or to participate helpfully in?--perhaps the primary purpose of adding economic development here is to make it clear that the Office will not restrict its licensing to local and state-based investors and companies, but by policy may do business anywhere in the country.

You might think it is easy to pick apart writing of this form because it is somehow not intended to be read carefully--but then why even include it in a policy statement, if one cannot write clearly and think clearly before writing? How difficult is it to write: "The objective of this policy is for the University to make money for university research programs by licensing intellectual property claimed by the University in the hope that licensed rights will also benefit companies, investors, and the general public." At least then we could have a discussion about how best to do this.

The third paragraph of the policy enunciates the scope of the policy ("all units" and "all Employees")--another instance of "employee and not-employee." The policy describes how the policy authorizes even more rules as needed. The paragraph ends with an important statement regarding precedence--"applicable law" takes precedence over the policy (which is a relief, because otherwise the policy would claim to be above the law--so strange that law is even mentioned), but also any "sponsored research agreement" or "contractual arrangements" takes precedence over the policy. This is huge--this is different from a research policy that sets a default but allows the university to accept sponsor terms that differ from the default. Instead, here, the policy authorizes the university to permit any contract to change the policy.

That is, in addition to amending the policy through the rule-making authority of the Vice President in consultation with the President and notice to the Regents, any unit of the university can change the policy by introducing the changes into a contract accepted by some outside entity. That is, so long as a unit "in good faith" (what other form of valid contracting can there be?) gets

someone outside the university to accept different terms, then those differing terms take precedence over the policy.

As an example, someone wanting the university to own a broader swath of assets than those set out in the technology transfer policy simply makes the ownership claim a condition of a funding agreement, and for that agreement, the university now (so it claims) has the right to take ownership of those assets--without notice or other due process or compensation to those involved.

Rules of precedence aim to guide interpretation of written instruments. But here the rule allows one to change the policy itself, rather than decide how to interpret the policy. The actual rule of precedence, which the policy fails to state, is that anything inconsistent with Bylaw 3.10 is void. But the policy has already asserted it can do anything that is "consistent with" Bylaw 3.10--a much different reading of the scope of authority delegated by 3.10. What's odd, then, is that this very rule of precedence, by allowing any contract to supersede the policy, leaves open whether the contract can be approved if it is not consistent with 3.10. Apparently the answer is, it can. In which case, all the apparatus boils down to "university officials can construe policy any way they wish, so long as the Regents do not object and other parties agree." Thus, one can do whatever one wants in, say, a Supplemental Information Form, so long as the person signing the Form (and therefore making an assignment of rights, as an outside party, as if in a contract) is witless enough to agree to it.

With regard to a policy on intellectual property, the only part of the policy that might reasonably be subject to a superior claim by contract would be on matters of ownership. The conventional language in the pre-Bayh-Dole world ran in the form "employees own their inventions unless the university has agreed otherwise to the requirements of an external sponsor of research (and the employee has agreed to participate in that research)." In some cases, such as at the University of Wisconsin, the employee was expected to negotiate the IP terms with the external sponsor. As university administrators slipped under the intoxication of a misrepresented, misunderstood Bayh-Dole Act, they changed the default to university ownership. Then the exception clause read "the university owns employee's inventions unless the university has contracted otherwise with an external sponsor of research to permit the sponsor to own the employee's inventions (and employees don't have any say in the matter)."

In the Technology Transfer Policy, a version of this latter form shows up as Paragraph II.F:

All Intellectual Property made under sponsored research agreements and material transfer agreements shall be owned by the University except where previously agreed otherwise in writing based on the circumstances under consideration. Such exceptions shall be approved and negotiated by OVPR; Intellectual Property subject to such an exception shall nevertheless be subject to the disclosure requirements of this Policy.



This provision is a much reduced form of the broader policy mandate that permits any official in good faith to make any change to the policy via contract. The provision quoted above is almost unreadable: "except where previously agreed otherwise in writing based on the circumstances under consideration." The clause is unparsable. The university owns IP unless previously (to what?) it has agreed it doesn't (in writing) and (the writing? the agreement?) is based "on the circumstances under consideration" (what other basis would there be?). If you can make sense of what is meant here, you are a gifted policy reader.

At best, this is another gesture to empower the Office of the Vice President of Research (here, the "Office" is given the power, not the position or the person) to do whatever it wants, so long as it does it in writing. The ordering of "approved and negotiated" adds dissonance. One would expect that an exception is first negotiated, then approved in final form. But here, it appears that one approves the exception first, and then goes out and negotiates it with employees or sponsors of research or whomever the Office chooses to enter into an agreement with. This writing is that of unconstrained bureaucrats creating a nest, protecting themselves from accountability, even to the policy they have drafted in their self-interest.

The University of Michigan clause goes further and allows university officials to change any part of the technology transfer policy by simply introducing the change into a contract. Here, the pressure on "in good faith" becomes apparent. What possibly could the insertion of "in good faith" mean, since it is assumed in contracting? One interpretation is that university officials, unaware of the requirements of the technology transfer policy, might contract in violation of it, and if they weren't willfully intending to violate policy, then no harm, no foul. That is, the policy in this reading creates an incentive for administrators not to know the policy, even as the policy makes efforts to make sure faculty and staff do know the policy. A second interpretation of "in good faith" is directed at the intentions of the administrators--if they believe they are doing something for the good of the university, to "facilitate" its mission, then that intention takes precedence over the written policy. If such an interpretation were held, the purpose of a written policy is largely abandoned. Anything goes, so long as there is a covering rationale directed at an intent to benefit the university.

How any of this could be consistent with Bylaw 3.10 is beyond me. In another article, I will discuss how administrators and attorneys set up overreaching claims in policy and in contract negotiations, and then try to have those settle to the greatest extent possible by asserting that they only meant what was allowable by law or allowable within the scope of their authority but to "the greatest extent possible."

The point of fussing with these prefatory paragraphs is not merely to point out how ambiguous and brash they are, but also to show how difficult it is for language deployed in this way to come

to form any sort of contract, adhesion or otherwise, with anyone in the university. The statements lack definition (even where there are definitions) and can be changed at will. The university clearly does not intend to be bound by its own wording--but then, other than by assertion, how can it then reasonably expect that its employees (and not-employees) must be bound to that same policy?

Now on to our primary destination, ownership of intellectual property in the Technology Transfer Policy. There are six paragraphs to cover. We have dealt with F already. Let's start with the defined term "Intellectual Property." Keep in mind that statutory intellectual property is quite simple: patents, copyrights, and trademarks. Quasi-intellectual property expands the list to trade secrets, performance rights and rights of privacy, anti-dilution rights for famous marks, and internet domain names and linking rights. In folk usage, intellectual property might also mean whatever intangible asset one thinks can be possessed in some form regardless of whether there is a statute establishing ownership.

University policies in this area began with patent policies. Unless a patent was sought, the matter was moot. If a patent issued, what mattered was how the university overtly contributed to the invention and/or the patenting effort. For that, largely faculty committees examined the circumstances and made a recommendation regarding the degree of university interest in the outcome. By restricting attention to patents and focusing only on equitable treatment, universities avoided inventions and ownership issues for nearly all situations. Remarkably astute. We often ride on the shoulders of giants because, intellectually, we are pygmies by comparison.

The policy term "Intellectual Property" gets its definition in Section IX:

“Intellectual Property” means inventions, processes, compositions, life forms, computer software, copyrighted works, mask works, research tools and data, certain defined trade and service marks, Tangible Materials, and legal rights to the same.

This is a very strange definition. First, it has nothing to do with Bylaws 3.10, which expressly addresses patents, copyrights, and software. Now we have a laundry list, and it is almost random in what is chosen and what is left out. "Inventions" might be "potentially patentable inventions"--that would at least get at the idea of a "patent." But here, invention is given no such qualification. Similarly, "processes" is mentioned but not "methods" or "algorithms." A "process" is one of the four conventionally described forms of invention, the others being "machine," "manufacture," and "composition of matter." (There are also plant patents and a plant variety protection act. The Supreme Court made it easier, affirming the scope of patentable subject matter to be ["anything under the sun made by man."](#)) If "process" here is lifted from patent law, then what do we make of "compositions"--this is not, apparently, "compositions of matter." "Composition" is used with reference to musical works and to written works, not to the chemistry of materials. So who knows what is meant.

"Life forms" perhaps is intended to recognize the *Diamond v Chakrabarty* decision, but "life forms" is much broader. You are a "life form," and so are (presumably) all the first born children of university employees. By this point, it is clear that the drafters are fools or incompetent or just don't care how they form the list. At any rate, the form of intellectual property (a patent, and the patentable invention that underlies it) is lost in a fuss over objects in the world. It's one thing to claim an interest in a patent on an invention; it's another thing to claim anything in which an invention might be made.

The list then drifts off into "computer software" (but ignores algorithms, firmware, pseudocode, macros, programming languages, and data structures and data dictionaries, and the like), and then into copyrights--"copyrighted works" makes no sense. A work is not "copyrighted"--copyright vests in original works of authorship when fixed in any tangible medium of expression. It's even more absurd if we skip to the end of the definition and see the tag "and legal rights to the same." So "copyrighted works and the legal rights to the same"--meaning, exactly, what? Copyrights in copyrighted works? Sigh.

Mask works are one of a multitude of types of works listed by the Copyright Act that may enjoy a copyright. A mask work therefore is within the scope of "copyrighted work," so why call out mask work and not, for instance, choreographical works? In copyright practice, at least, if you list what you care about, you get that, and nothing else. Here, one could argue against the drafting party that the only "copyrighted works" that the policy takes an interest in are software, compositions, and mask works. The general term "copyrighted works" might be read to refer to works published before 1988, when registration was still required to secure a federal copyright in a published work. Or it might be read as a general term for the three listed forms of work in which copyright might vest.

The definition then turns to "research tools and data" and leaves many questions. Does "research" modify both tools and data, or only tools? What about tools and data that do not arise in research, but rather in testing or in making things? Is a photographer messing with a new form of tripod doing "research" in making a new tool? It's hopeless to know what is meant. When does information become data? When someone calls it data? Is technical information "data"? Are design specifications "data"? Or is "data" restricted to the evidentiary information generated by experiment to demonstrate or disconfirm a hypothesis?

The list is nearly done: "certain defined trade and service marks"--that is, some forms of trademark. There are also collective marks and certification marks, but these are not mentioned. The use of "certain" is no doubt intended as a gesture to paragraph II.G, which acknowledges that the university has its seal and emblematic marks, and these are covered by a separate policy. There's nothing in Bylaw 3.10 that authorizes the university to have an interest in certain trade and service marks. It's a stretch to argue that adding trademarks is at all an "implementation" of Bylaw 3.10, or that adding trademarks could be a "substantive change" in the policy "consistent

with" Bylaw 3.10--unless by "consistent with" one means "we may do anything that Bylaw 3.10 doesn't address," in which case there is no reason whatsoever for Bylaw 3.10. It is a pebble in a stream, over time to be rounded and ground down to bits of sand.

The penultimate item in the list is itself a definition, "Tangible Materials." Tangible Materials receives an implied definition not in the list of definitions, but buried as Paragraph D. of the section on "Commercialization":

Tangible property, including models, devices, designs, computer programs and other software, cell lines, antibodies, recombinant materials, laboratory animals, chemical compounds, compositions, formulations, plant varieties, and records ("Tangible Materials") that comprise University Intellectual Property may be distributed outside of the University consistent with applicable laws, policies, and existing license agreements. OVPR shall set and administer rules regarding transfers of Tangible Materials.

Here, remarkably, if we ignore the ghastly list, the sentence reads, "Tangible property that comprise University Intellectual Property may be distributed." "Comprise" is a difficult word here. "Comprise" means "to consist of, to constitute, to be made up of." As Garner has it, "The parts *compose* the whole; the whole *comprises* the parts" (See *Garner's Modern American Usage*). "Our goofy definition of Intellectual Property comprises a random bunch of things and Tangible Materials." If we follow established usage, this bit of definition reads in its twisted state, "Tangible property that is made up of the forms of intellectual property claimed by the University." This, of course, is nonsensical. No tangible property could possibly comprise that set of both tangible and intangible items, because tangible property, by its very nature, may only be tangible.

So we are left following non-established usage. As Garner puts it, "is comprised of" is "erroneous usage" and "has always been considered poor usage"; "replace it with some other, more accurate phrase." Perhaps the writers meant that if tangible property was university property, then it could be distributed. "Tangible property owned by the University may be distributed, but only if the distribution is legal and follows policy. Um, gosh, does policy need to restate that distributions should be legal? Could distributions not follow policy, but for this demand that distributions follow policy? If there are other policies that cover distributions, don't those policies actually control, not this policy? Is this policy just in case those policies for some reason don't control though they should?"

What is going on? At best, only the last sentence matters--the Office of the Vice President for Research claims control over the rule-making for distribution of tangible property. This, too, is nuts, as there are many forms of tangible property owned by the university that the Office of the Vice President for Research has nothing to do with--surplus computers, scholarly manuscripts

(the paper, the paper!), cupcakes, and coffee mugs. A great deal of university tangible property is distributed directly to the trash bin.

But "at best" is too much to hope for. Let's deal with the embedded definition, because it is the laundry list here that is incorporated by reference into the definition of "Intellectual Property":

models, devices, designs, computer programs and other software, cell lines, antibodies, recombinant materials, laboratory animals, chemical compounds, compositions, formulations, plant varieties, and records

We will deal with the prefatory "including" in a minute. First, the list. Here we have a couple of overlaps with the list defining "Intellectual Property"--computer software (but here, also computer programs as a subset of software, and all other software that isn't computer software--whatever that other software might be), compositions (here, however, distinguished as a kind of tangible property, so not musical but then also not what is meant by a composition of matter, as that refers to the way in which matter is constructed, not the tangible thing that might also be owned. Similarly with "formulations"--which would suggest a recipe for chemical mixtures, not the tangible thing actually so formulated, which might be a liquid or a solid or a powder or whatever.

Indeed, designs, formulations, compositions are all mostly if not entirely *intangible*. On their own, they don't form property. Any property right arises via copyright (a design may be an original work of authorship, for instance) or trade secret (a formulation may not be generally known to the public, etc) or patent (a new, useful, and non-obvious composition of matter may be inventive). The things, the chattels, that might embody forms of intellectual property may themselves be "tangible property." But there's no way to know whether such property is the university's. A person may use her own, privately acquired chemicals to formulate something new and wonderful. The university may (with its penchant for overreach) make a claim on the patentable nature of this wonderful something, on the invention. But how does the university as well by policy confiscate the physical embodiment of the formulation, something it has not bargained for, something it never purchased, something that it never restricted or required, something not even in its Supplemental Information Form assignment?

"Models" may be tangible (as in architectural models) or intangible (as in algorithms). Various "life forms" come in a clump: "cell lines, antibodies, recombinant materials, laboratory animals"; but a "plant variety" is not a tangible plant--it is a differentiation of one form of plant from another, a relationship--this form of striped, tasty, fragile tomato with few seeds, not that form of red, tasteless but easily harvested and shipped tomato with lots of seeds. Not the tomato, but the variety of tomato.

Finally, "records." Just "records" as a form of tangible property. That would be, perhaps, the physical notebooks, journals, ledgers, books of account, gradebooks, video tapes in which things are recorded. "Records" is a broad term, given no limitations--not records of invention, not records of official university business, not records of English professors' musings on the purported multiple authors of *Piers Plowman*. In any case, the burden of the paragraph is that tangible property somehow associated with "Intellectual Property" (because it is one and the same thing in both definitions, because the tangible property comprises the Intellectual Property, because the tangible property is a physical embodiment of a claimed intangible asset) may be distributed. Big whoop. Scholarly materials are exchanged daily by the boxcar, causing no end of worry to the folks in export control compliance. The paragraph here is rather late to the party, like a badly conceived [Spanish Inquisition](#).

Now, what to do with this fuddled list that mixes intangibles and tangibles, duplicates some items in the list of Intellectual Property but not others, muddles still others with distinctions, and suggests yet others "life forms" might not be so broad as to include first born children of hapless Employees? The list is given its own status as a defined term, "Tangible Materials." Tangible property includes Tangible Materials. Tangible property associated with (er, that comprise) University Intellectual Property may be distributed. But Tangible Materials are made part of the definition of Intellectual Property. So how does that work, logically? "Tangible Intellectual Property may be distributed." There's a deep cognitive dissonance here, as intellectual property is a form of intangible asset, but anything less would be too simple to be within the grasp of such a sophisticated policy.

Finally, "including." In the usage here, "including" suggests a subset of "tangible property"--the list does not indicate if "including" means "this is all" or means "this is an illustrative list." If the latter, one usually finds something like "including but not limited to" or "or not necessarily limited to" or "such as, for the sake of illustration only." Not here. One might reasonably conclude (though reason here has already taken a beating) that the list is inclusive, not illustrative. That is, these are the forms of tangible property that may be distributed, if they are also Intellectual Property, which they have to be, by tautology, because this list is part of the definition of Intellectual Property. So the "including" could just as easily have been edited out, along with "tangible property": "Tangible Materials may be distributed" and the list of tangible materials removed to the definition of Intellectual Property, or given its own definition, along with the other definitions, in proper location in the policy.

We may reasonable have a confirmed sense, at this point that we are dealing with incompetent writers. But we are not done with the depth of the incompetence. Push on.

Again, in formal lists in adhesion contracts (and similarly minded adhesion policies) where it's clear someone is capable of stating their interest, they tend to get what they state, and only what they state. Such stuff is interpreted against the drafting party. The drafting party had better get it

right. Having a strong desire, but being incompetent or indifferent with words, does not create an enforceable claim on anyone else. Perhaps having a million dollars to spend on attack attorneys can enforce most such claims, but then it's not the policy or language or meeting of minds or reason that controls the situation. It's the threat. In other circumstances, it might be considered abuse of power, or bad faith, or racketeering.

We have worked through the definition of "Intellectual Property" given by the technology transfer policy, and that took us to the definition of Tangible Materials so we could watch two definitions biting each other's tail. Now come back around, steeled to read the spritely opening sentence, now with some knowledge and care:

Intellectual Property made (e.g., conceived or first reduced to practice) by any person, regardless of employment status, with the direct or indirect support of funds administered by the University (regardless of the source of such funds) shall be the property of the University, except as provided by this or other University policy.

Let's cut through the qualifications and look first at the core structure:

Intellectual Property made with support of funds administered by the University shall be the property of the University.

That much is clear, even if objectionable. Pity no one at the university has the capacity to write with any clarity. That aside, let's compare with the core structure of Bylaw 3.10:

Patents and copyrights issued or acquired as the result of or in connection with educational activities supported by funds administered by the university and all royalties or other revenues derived therefrom shall be the property of the university.

Patents and copyrights has been broadened to an ugly list that mixes forms of intangible assets and tangible assets with bits and pieces of intellectual property and any other "legal rights." "Issued or acquired" has been replaced by "made." Support of funds has been shifted from activities to the making of the Intellectual Property. The claim on royalties has been dropped. We may observe, then, that the policy on technology transfer ignores the acquisition of patents and copyrights, something that Bylaw 3.10 yet retains from the patent policy of 1944. In 1944 and up through at least 1962, "acquisition" would have meant "acquired by the university, as from faculty inventors or extramural sources, when so negotiated." In other words, even in Bylaw 3.10, the wording does not support the immediate connection that because an invention has been made, the university asserts a property claim on it.

The purpose of Bylaw 3.10, positioned at the Regents level, is to confirm that the Board of Regents is authorized to acquire patents and copyrights, and it may do so either from others who

have obtained patents and copyrights ("acquire") or it may seek a patent or copyright (seek is the wrong word for copyright, but we work with the conflation we are presented with) on its own, so that the asset "issues" as a property right. Bylaw 3.10 limits the Regents' interest in securing patents and copyrights to funded activities--again, not funds dedicated to employment, but *other funds* for those activities (as is clear by the language of paragraph 4).

There is no expressed claim in Bylaw 3.10 that the university owns every invention made by university employees (or not-employees). The Bylaw authorizes the Regents to obtain patents and copyrights either before the property right is perfected or afterwards, in connection with activities the university funds beyond those of employment. The proper purpose of a lower-level policy is to implement the procedures for doing so. But the Technology Transfer policy, despite its claim to implement Bylaw 3.10, does something very different: it claims university ownership of a chaotic, conflicting list of intangible assets, tangible assets, intellectual property, non-intellectual property if any university-administered funds have supported the making of anything in this list.

One might conclude that the Technology Transfer policy is unenforceable, void, inconsistent at its heart with Bylaw 3.10, a fatally ambiguous, overreaching abuse of authority and embarrassment to serious practitioners of the art of University of Michigan governance and should be instantly withdrawn. Alas.

Now let's add back in the qualifications to the Technology Transfer policy claim and see what happens. This is where it gets rich, and I will apologize in advance for dragging you through all those details. *I had to work through them, so it's only fair that you see that I did.* What's not fair is that any University of Michigan employee who wanted to understand the policy would have to do roughly what I have done. Most won't. Most will simply hear the policy as a threat, and do whatever those in power say the policy requires. The job is more important than the fight with petty bureaucrats. Sometimes, even, the vision of unicorn royalties (it's less than once in 2000 inventions--once at decade--at the best, luckiest schools) will persuade some that it's better to empty one's pockets than to get shot. Imagine, being mugged on a dark street by a civic-minded investment banker: "You poor fool, give me all your assets so I can invest them, take a share, but perhaps make you very, very, very rich, or sadly, if you refuse, I am forced to shoot you to make an example for other poor people, so they will not resist such a generous offer." In a later interview, the investment banker laments that making people rich is a worthy public mission, and sometimes one has to use threats and force and subterfuge to get the poor to loosen their grip on what little they have, so wealthy organizations can make them richer--at least some of them.

Here's that first sentence again, with all the qualifiers replaced:

Intellectual Property made (e.g., conceived or first reduced to practice) by any person, regardless of employment status, with the direct or indirect support of funds administered



by the University (regardless of the source of such funds) shall be the property of the University, except as provided by this or other University policy.

We notice that "made" is immediately given a qualification, a "for example": conceived or first reduced to practice. As we saw in Part I, these terms come from patent law and the "or" indicates that they come from the definition of subject invention in the part of patent law created by the Bayh-Dole Act. An invention is made when it is conceived *and* reduced to practice. Here, we have the dissolution of the idea of a patentable invention into the components of such an invention, but existing independently. So here we have an invention when only partly made, or more accurately, when not made at all. Making means not making, just as employee means not employee and intellectual property means not intellectual property. Gosh, was this policy written in 1984? The irony is just too rich. Life does imitate art, even the freaky parts of art meant to warn us off the desire for order provided by an all-controlling state.

A reasonable consequence of introducing the example of "conceived or first reduced to practice" is that the entire policy's ownership claim, despite all the definitional madness, is constrained to patentable inventions. Indeed, that is all that the Supplemental Appointment Information Form requires--an assignment of inventions, not "Intellectual Property," using the same goofy--for an assignment document, potentially fatal--"e.g." to illustrate the meaning of "invention." All the "Intellectual Property" apparatus falls away, with its random wish list of copyrights and Tangible Materials. In its place, at the level of practice, is a present assignment to patentable inventions (for which patent rights may be owned) and to not-patentable inventions, inventions for which there are no patent rights, and therefore nothing to assign. Make a list, get a list.

The apparatus reduces to assignments of patentable inventions that meet the two-pronged "or" test. The problem is, if the definition of "invention" is so vague that all it can offer is a "for example" that does not even recite the conditions for a patentable invention, what possibly could form a meeting of minds between inventor and university officials such that it would be clear to any reasonable observer what was committed to be assigned. If the inventor says, "I never agreed to that"--there's nothing for it. That's the deal. No meeting of minds. Interpret against the drafting party. University officials cannot say, "Because we intended you to assign (in the future) something just like this thing under debate, you must have agreed back then to assign it, too." All the university has is a signature to an ambiguous document, without anything to show a reasonable bound to the obligation being asserted.

In Bayh-Dole, if either prong is in the planned and committed activities of a funded project, then the invention, if it is made (that is, both prongs are satisfied), is within scope of the patent rights clause. An exact parallel may be constructed here, despite all the bad drafting. The policy is the patent rights clause. The existence of university-administered funds is the funded project--and we can chase that usage all the way back through Bylaw 3.10 to the 1944 patent policy. The scope is a patentable invention, where funding was intended to support at least one prong of the

test for patentability. Despite all the sticks and leaves tossed into the air by the drafting, this is a straightforward, reasonable reading of this first sentence. Put in common language: When the university provides special funds that result in a patentable invention, then the university will own the patent rights in that invention. Everything else is a fuss about where the funds come from, whether the provision is direct or indirect, and whether funds paid for employment count (they don't, per Bylaw 3.10, paragraph 4).

The entire policy, bombast and all, reduces to the core of the 1944 patent policy. It's a shocking result. Why all bombast then? Why make it appear that the university claims a broad swath of stuff, with an idiosyncratic, if not crazy, definition of "Intellectual Property"? I don't have a good answer. I expect that folks in the tech transfer office wanted to create the illusion that the university claimed more than the policy authorized. They wanted to believe with Dr. Sussman, who as a botanist and not an IP expert, must have been told by technology transfer "experts" that the university owned all faculty work (i.e., more crap about Bayh-Dole), and dutifully repeated this to the Regents, as if the Regents, who approved Bylaw 3.10 did not actually know what they intended.

A reading of this first sentence of the ownership statement does not end with our initial shock. We can consider "shall be": it expresses a future condition. When the qualifications given in the claim are met, university officials are authorized to secure ownership of the asset. The policy does not secure that ownership. It merely sets the conditions of scope for claims and authorizes officials to go get ownership. We can consider the status, too, of the Supplemental Appointment Information Form wording--a present assignment to future inventions. We can see that "made by me as a University employee" is inconsistent with Bylaw 3.10. Bylaw 3.10 expressly disclaims employment as a basis for claims of ownership. The funding has to be other than "as an employee." The effect of the language in the Technology Transfer policy, however, is to claim that if a witless employee signs this form, then the form's contract supersedes policy requirements. The witless employee has signed away rights that policy otherwise would not claim, because a unit of the university "in good faith" has contracted for those rights. It will be the language of the Supplemental Appointment Form that the university will trot out in court, and claim that no matter what else, this was the deal, mutually entered into, perhaps a generous gesture on the part of 99.9% of all employees, and here, contesting it, is one bad apple which the university regrettably must make an example of.

I won't spend much more time on the Technology Transfer policy. The rest of it reads in a manner similar to the parts I have worked through. It is an incompetent jumble. Somehow the institution survives. An "Employee" "receives a salary or other consideration from the University for performance of services"--but that would appear to reach through to independent contractors. Pity any janitors working for a contractor providing services to the university. Much worse, however, is the extension of the definition of "Employee" to students:

A student that is compensated (e.g., financially through a stipend, tuition, etc., including graduate student research assistants and graduate student instructors) is considered an Employee under this Policy.

Here the statement of scope grossly overreaches--the "etc." is telltale, but so is the omission of "for services." The list of examples is itself incomprehensible, though its presence suggests that those drafting did not quite know what they meant by "compensated." Even the standard patent rights clause authorized by Bayh-Dole expressly excludes "clerical and non-technical" employees, and does not seek to include anyone who is not an employee--not visitors, not independent contractors (who should be subject to the subcontracting provisions), not folks not qualified or expected by the funding agreement to invent. Yet the policy here seeks to reach to students, if they are "compensated." What about scholarships, for instance? Further, look at the loaded word "financially"--suggesting that "compensation" can include non-financial benefits. What might those be? Access to a lab? Invitation to a talk? A loan of equipment to try something out? And if so, is the university violating employment law by not reporting such benefits and granting rights to these "employees for Intellectual Property purposes" as formally employed? What, might that do, for foreign students not eligible to work in the US?

It's stupid drafting, really. Even if one wanted to abuse one's power, violate Bylaw 3.10, and bamboozle folks into signing away their IP, all one has to do is write "students also must assign their rights in Intellectual Property to the University when their activities are supported by University-administrated funds." Or something like that. There's no need to try to put non-employees under the heading of "Employee"--making garble of the definition, and all that is ignoring the problem that for patents and copyrights, mere compensation is not sufficient to sustain an employers claim to ownership.

Finally (and I wish I could swear I was done with this, but I'm not as there is still the copyright bombast to get to), look at the last bit of that first sentence:

except as provided by this or other University policy

We get through this whole first sentence only to find an insertion of ambiguity. The fundamental statement of university ownership of "Intellectual Property" is expressly subordinated *to any other statement of the policy, and to any other policy of the university*. Can it get any worse? (Answer, Yes!, [wait for the copyright discussion](#)). But this is worse enough. A policy in its fundamental claim subordinates that claim to the rest of the policy and to any other policy. The drafters were serious about this, as two sentences later they make it clear with regard to copyright:

Rules in this Policy regarding ownership of copyrights are subject to ownership rules directly addressed in the University's copyright ownership policy, entitled "Ownership of

Copyrighted Works Created At or In Affiliation With the University of Michigan" or successor Policy that is approved by the Regents.

So all the blather about copyright has to be understood in the context, first, of a copyright policy, and only then can the bits of the technology transfer policy be applied to figure out just what it is the university claims and what it doesn't claim. It is funny, of course, that the Technology Transfer policy asserts that changes in its policy statements do not require the approval of the Regents, but somehow, the copyright policy must have such approval to enjoy precedence. The University of Michigan is a strange, ugly, incompetent world when it comes to intellectual property policy management. One cannot take a step in policy without regretting it. Perhaps the only folks happy about it all are patent administrators, who perhaps see this policy as their life blood, as ticks think their hold on the hole they have made in the back of your neck is their purpose in life, which, of course, it is.

Part I of this series looked at the University of Michigan 1944 patent policy and its transmogrified afterlife as Regents Bylaw 3.10, and the strange Supplemental Appointment Information invention present assignment document that claims to derive from Bylaw 3.10.

Part II moved to the Technology Transfer Policy, current from 2009, and worked through key paragraphs on purpose and ownership, showing that the morass of language reduces to the core of the 1944 patent policy, with all the bombast text--nigh unto unreadable--doing little more than adding ambiguity and asserting new powers for the Office of the Vice President for Research, expanding the scope of university claims on intellectual property (and non-intellectual property), and further asserting that the Office of the Vice President for Research does not have to follow its own policy. Nor does any other unit of the university that "in good faith" contracts with anyone for any other terms. Thus, HR can "in good faith" require a present assignment of invention rights from incoming faculty and staff, and ignore the Technology Transfer Policy.

The Technology Transfer Policy asserts that the fundamental claim of ownership, set forth in the first sentence of the policy's discussion of ownership and derived from Bylaw 3.10, is expressly stated to be subordinate to anything else in the rest of the policy, and to any other policy of the university, including the copyright policy. The Technology Transfer Policy subordinates Bylaw 3.10 to the whims of administrators. Cheeky.

## **Copyright Policy**

In this Part III, we will take up the [University of Michigan Copyright Policy](#). Bylaw 3.10 adds a reference to copyright when it adapted the 1944 patent policy sometime after 1962 and before 1975. A reasonable reading of the 1944 policy, and Bylaw 3.10, is that the university claims ownership of patents and copyrights only when the patents and copyrights are acquired or issued (meaning "registered"?--subject to a formal governmental action--for copyright) by the

university "as a result of or in connection with" an educational activity that uses university funds other than funds stemming from employment. That is, look for spending from an account other than payroll, then ask if the spending is for an educational activity, and then look whether patents or copyrights were acquired or issued in connection with that activity. There you have the Regents' authorization for the university to own and manage such patents and copyrights.

The Regents' Bylaws permit units of the university to deal with situations in which the Bylaws do not authorize an action at the level of the Bylaws and to deal with issues "of a less important nature" than those addressed by the Bylaws ([see Section 14.01](#)). The Technology Transfer Policy, however, asserts that it only need notify the Regents of changes, without distinguishing changes that are at the level of the Bylaws, such as ownership of patents and copyrights, and changes that are of less importance, such as the definition of Tangible Materials. Lazy? Clever? Incompetent? Why do we have to choose only one?

It's important to recognize what happens when the Regents add copyright to the structure of the 1944 patent policy and elevate everything to a Bylaw. The university's interest in copyright, whatever it may have been prior to the adoption of Bylaw 3.10, is restricted to copyrights acquired or issued in connection with educational activities supported by university funds and expressly not with matters of employment. "Educational activities" are not "anything within the scope of employment." "Supported by University-administrated funds" is not "supported by University salary or other compensation for services." This is a Regents-level policy, and it reads as a restriction on what otherwise might be claimed, were there no policy directive in place.

We have seen (Part I), that employment for patents and copyrights has specific implications. One cannot use "employment" loosely and generally and then assume that patents and copyrights fall within the expectations of this loose wording. That's a convenient ploy for administrators, but it does not hold up in IP practice. The Supreme Court has provided guidance on both patents and copyrights. For patents, employment is not a sufficient condition for the employer to assert a claim of ownership. Per federal patent law, there is no "invent for hire" condition.

Nothing in a master-servant relationship ("employment") provides the master with a legal right to own the inventions of the servant. There has to be an agreement on patents distinct from employment. It may be that such an agreement is made a condition of employment--that is, if one does not agree to the condition, then the master may release the servant from employment--but "condition of employment" cannot mean--it violates federal law to mean--that despite employment not being a sufficient condition, the master demands that the servant pretend that employment is a sufficient condition. Law forbids Uni from taking Proffy's work, but Uni creates a policy that claims Proffy agrees to ignore the law.

The gesture in these university policies, as they create obligations for employees, whether contractual or not, is that private parties can contract to ignore federal law, or in the alternative, a

state university can impose obligations that require its employees (and not employees) to ignore federal law. Adding back in something like "to the extent permitted by law" to a contract whose fundamental purpose is to ignore the law can only be to deceive the employee and to provide, if called out, a defense that the university didn't really, technically, actually mean that the employee had an obligation to ignore the law, and that everything that was required was really something else, not expressed, but to be constructed by the court to make everything right.

If a university patent policy is a contract, then [the Shaw case](#) guidance is relevant:

- a policy may be incorporated into a contract
- employees have an interest in such a contract for employment
- the university cannot change the contract at whim
- the university's true intent, if unexpressed, is irrelevant

Of course, if the patent policy does not form a contract, then all the talk about obligation to assign does not depend on agreement. The university may not even be able to fire an employee who refuses to assign, depending on other policies, such as on tenure, and state laws regarding employment. That is, any retaliation by university officials against an employee who resists a demand that has not been established in contract with the employee to assign his or her patent or copyright to university may also give rise to a claim for damages, if not sanctions against the officials personally. It's a pity that university faculty are not paid better, so they have the financial resources to resist university officials who abuse their powers. It's also a pity that state attorney general officers do not take an interest in administrative abuse of power and, at least with regard to intellectual property matters, appear to treat the administrators as clients, and other state employees as potential adversaries in court. Universities would be different places if law weren't a chapman, with state attorneys taking the side of administrative money and power rather than justice.

For copyright, employment also has special meaning. Actually, employment has its common law meaning--that is, the Supreme Court in [CCNV v Reid](#) made clear that federal law supersedes state law (and any contracts formed under state law) and imposes common law rules of agency on the definition of "employment" for the purpose of construing the definition of a "work made for hire"--"prepared by an employee within the scope of his or her employment" (there is a second prong to the definition, for commissioned works prepared by an independent contractor--more on that later). One cannot merely ask, "Does the university define these people as 'employees'" and if so then apply work for hire conditions. Instead, one has to look to the common law of agency and a multi-point evaluation of whether the employer exercises control over both the work and the workplace.

It is not a sufficient analysis to find that an employer exercised control or had the right to exercise control; nor is it sufficient to find that the employer has a long-term, continuing

relationship with one who produces work, and pays employment taxes on compensation. "Employment" for copyright requires common law of agency--is there a master-servant relationship for the purpose of creating the work in question? Is, for the creation of the work, the servant the agent of the master? Look at the circumstances, not assertions. Deal in specifics. Do not create a general case and impose general expectations on specific actions. Do not reason from the species to the individual. The logic must go the other way.

Similarly, "scope" is an important part of the definition of work made for hire. It is not merely that an individual is "employed"--the work must be within the scope of that employment. Where "scope of employment" gets a lot of attention is in civil liability. There, "[respondeat superior](#)" comes into play--the master answers for the actions of the servant. Liability law draws scope broadly. As [an on-line legal dictionary](#) puts it:

The scope of employment includes all acts reasonably necessary or incident to the performance of work, including matters of personal convenience and comfort that do not conflict with specific instructions.

Or, as Black's Legal Dictionary puts it,

The reasonable and foreseeable activities that an employee engages in while carrying out the employer's business.

The "scope of employment" for liability purposes, however, is not the "scope of employment" for copyright purposes. The "employment" in copyright is directed to the circumstances surrounding the work produced, not a general condition of being employed (for some work, not for all activities), and for being engaged in work to advance the employer's business. Just as one cannot ask if a faculty member is "employed" by a university and then deduce that the faculty member is also "employed" to produce every bit of scholarly writing (or other such work); so also, one cannot ask if a university might be found liable for the actions of a faculty member, and if so then deduce that all works prepared by that faculty member must be within the scope of employment for copyright.

"Employment" is a general term. "Employee" is equally abstract, describing an individual in a state of employment. An individual may be an employee and also engage in other activities, even activities that are similar to those for which the individual is an employee. One may be employed, say, as a cook, and also cook at home or run a catering business on the side. There may be an issue of non-competition with the individual's employer, but the employer cannot arbitrarily expand the "scope of employment" to include any cooking the individual does other than the cooking assigned for the benefit of the employer. Alternatively, if the employer does not want to have an interest in, or liability for, certain cooking that the employee might do, such as at

company picnics, the employer and employee can agree to restrict the scope of employment to exclude those cooking activities.

The definition of work made for hire is a matter of federal law. One cannot contract to change the definition, to add works to the definition, or to avoid the definition when it applies. One can, however, shape employment and the scope of employment to place works within the definition (if otherwise by an employee) or outside of the definition. Employment may be negotiated. Scope may be negotiated. The definition of work made for hire is not.

Now let's return to the second assignment in the [Supplemental Appointment Information Form, HR 36100](#), [revised 9/2016, [copy here](#)--the IP language is the same] which has the following odd assignment statement, that the newly hired faculty or staff member is required to sign:

I hereby accept the transfer of copyright—from the University to me—of the scholarly works I author in accordance with SPG 601.28 and as it may be changed from time to time.

This is truly an odd statement. It is in the form of a present assignment from the University to the individual of copyrights in the individual's "scholarly works." Let's parse it for a moment. First, assignments of copyright must be [written instruments signed by the owner of the copyright](#).

A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

Here, it is the recipient of assignment who is asked to sign. There is no signature by a representative of the university. Whatever the employee's signature does, it does not effect the transfer of copyright from the university to the individual.

Second, the purported transfer is only of "scholarly" works. There is no guidance here what constitutes a "scholarly" work. In US copyright law, "scholarly work" is not a defined category of work, though "scholarship" appears as a *purpose* in discussions of fair uses of work protected by copyright. The implication, however, of the use of "scholarly" here is that all other forms of work are not transferred by the university. One might imagine all sorts of such other categories--works of humor and entertainment, technical documentation, software programs, artistic works and musical compositions, newsletter copy--all might be described as something other than "scholarly."

Third, the transfer uses "author"--"in the scholarly works I author." "Author" is a term used in copyright law--as a noun, not a verb. Though US copyright law does not provide a formal definition of "author" ([thereby creating its own teapot of storms](#)), an author is generally one who



prepares an original work of authorship and fixes it, or has it fixed under his or her *authority* in a tangible medium of expression. Writing loosely (as is apparently the University of Michigan practice in policy matters), one then would have that faculty and staff author certain works--they are the authors of those works. To the extent those are original works of authorship--then under US copyright law, they own the copyright in those works. This is true even if the authors themselves do not fix the works in tangible media of expression.

A sculptor may use assistants to prepare a work--instructing each in what to do, reviewing the work of each to ensure that it meets the sculptor's idea of the work. The sculptor is the author of the work.

A writer may dictate her work to an assistant, who writes the work down and thus is the one who fixes it in a tangible medium. But the assistant's own work product, the writing, is not original--the writer's work is original. The writer is the author.

Similarly, a faculty member may instruct a staff programmer working for a university how to create a program for learning instruction, may review that program and determine whether it does what the faculty member has determined it should do. The faculty member is the author, not the programmer (or, there may be coauthorship, if circumstances so present). See [Lindsay v Titanic](#) for an instructive analysis of such situations (a videographer controls dive sequence photography taken of the wreck of the Titanic; the cameras are operated by employees working for hire for a company; despite the work for hire arrangements, the court finds that the camera operators are not preparing original work, nor is the company that hired them the author or owner of copyright in the video sequences--the videographer is, though never on a submarine, never operating a camera).

Authors author. When they author original works of authorship which are fixed in a tangible medium of expression, then they also become the owners of copyrights in those works. That is, for the Supplemental Appointment Information form, if a person authors scholarly works, then the only way the university comes to own copyright in those works is if the author, the scholar, has previously assigned those works to the university by means of a signed, written instrument. The apparent effect of the transfer offered in the sentence of the Supplemental Appointment Information form is that any scholarly work assigned to the university is immediately, by operation of this sentence, assigned back to the individual. Of course, because the university signs nothing here, nothing is actually assigned back, but one might argue that it creates for the individual an equitable expectation of ownership that might be enforced on a university, should it come to that. From another perspective, one could suggest the university means to quit claim an interest in scholarly works, and uses a vague and inoperative transfer mechanism to do that.

And all of this is modified by an ambiguous terminal constituent: "I author in accordance with SPG 601.28 and as it may be changed from time to time." There are three readings. In one, the

"in accordance" clause modifies the verb "author"--one authors in accordance with policy. In a second reading, the "in accordance" clause modifies "transfers"--the university transfers copyrights in accordance with policy. In the third reading, the clause modifies "accepts"--the employee accepts in accordance with policy the university's transfer of copyright. That is, the employee, to comply with policy, is required to accept the transfer, not that the university is required to make it, or that the employee is limited in receiving the transfer of copyright in only those scholarly works that conform to the stated policy. A standard of interpretation is that modifiers modify those elements closest to them unless there is a clear indication otherwise. That would favor the first reading, which is the strangest. Of the other two, one can only guess at the intent. Folks appear not to care how one might read what they write, even when they are constructing what they hope will be an assignment clause covering the scholarly work of a major American public university.

What to do with "and as it may be changed from time to time"? If the policy can be changed at will, this is nothing more than an agreement to agree. What does that do to what's purportedly "transferred"? Can the policy change so that thousands, nay, hundreds of thousands, nay, millions of copyrights pass to and fro at whim of administrative changes to a copyright policy? Apparently. How secure is a copyright transferred under this statement, made in this "supplemental" form--clearly not at all, given there is no signature on behalf of the university causing it to assign copyright and further given that the university reserves the right to change the policy and therefore potentially what the university does and does not assign. "Hereby transfers" claims present action on future works, but "as it may be changed from time to time" leaves everything uncertain about the future. Not giving something is simply selfish. Gesturing to give something but setting up clever language to cast the gift into doubt or cast the act of giving into doubt--that's bad faith. Of course, if none of this is intended, one might ask, wonderingly, just what the heck the university does intend, and is anyone there competent to express that intent using language that might be understood by ordinary mortals?

So it is time to turn to SPG 601.28, and see what it has to say about copyright that prompts this sad, strange little sentence that all new faculty and staff hires are forced to accept.

The burden of SPG 601.28 is ownership of copyrights "by establishing a framework for who holds copyright at the University." So far, so good. One might expect that the policy would then clarify that for faculty members, their scope of employment does not include the production of any original works of authorship unless the university and faculty member expressly agree in writing to so expand the scope of employment for a particular project. Many university copyright policies have some gesture in this direction. But no, we encounter a reference to a "legal default"--meaning not a failure (which, literally, it will turn out to be) but rather a requirement. Here it is (bold in original):

A. **The Default:** Under U.S. copyright law, the University holds the copyright (as “works made for hire”) in copyrighted works authored by its EMPLOYEES who are acting within the scope of their employment. Otherwise, the University does not hold copyright in a work, unless the copyright has been transferred legally to it by written assignment or other process of law.

Let's work through this. The definition of "EMPLOYEES" is of no help, being circular:

**EMPLOYEES** means any people employed by the University of Michigan in any capacity, whether they are faculty, staff, administration, or students and whether they are employed full-time, part-time, or in a temporary capacity.

So, "employees" means anyone "employed." All the definition does is provide a meditation on the various categories by which someone may be employed.

Our discussion above has prepared us to consider the statement here regarding work made for hire. It is true that a work made for hire is one that is prepared by an employee within the scope of his or her employment. It is true that the author of such a work is, by federal law, the employer. It is furthermore true that the author of a work is the owner of the copyright. The university, as author of works made for hire, owns copyright in those works. And yes, the university can obtain ownership of any other work only by operation of law or a written instrument signed by the copyright owner.

Now let's look at the words used by the policy. The policy claims that the university owns works *authored* by employees. That's not "prepared" by an employee--the language of the federal copyright law. If a university employee authors a work, that work is *\*not\** work made for hire, because the author of a work made for hire is the university. The university authors the work. The university owns the work. But if the employee authors the work, it cannot be within the scope of employment or it would meet the definition of work made for hire and would be prepared, not authored, by the employee. Sigh.

The definition of work made for hire in the law is a "work prepared ... within the scope of ... employment." "Within the scope" is adverbial, modifying "prepared"--the point at issue is whether the preparation of the work is within the scope of employment, not whether the employee is "acting" within the scope of employment. One can act within the scope of employment and prepare a work that is not within the scope of employment. One could be hired to write, for instance, but not to write a novel. One could then be acting within the scope of employment--to write--but not prepare a work within the scope of employment--no novels, please, we lack imagination. Perhaps it is a point too subtle to live. But why not just use the language of the statute? Is it sloppiness? Or do words mean things in formal documents?

The copyright policy then moves to offer a conditional present assignment (using the verb "transfer") of copyright in scholarly works, and excludes some scholarly works from this transfer. So for works that are not within the scope of employment, the university has no ownership position but for some later written assignment. The worry of the policy is for works made for hire that are also "scholarly." That is, somehow works that the university-as-employer has a master-servant relationship with employees but which also are "SCHOLARLY" works, the university wants to give copyright to the employees who prepared those works.

Much to do here. Let's look at the definition of "SCHOLARLY WORKS" first. Things get bad. Brace yourself.

**SCHOLARLY WORKS** means works authored by FACULTY within the scope of their employment as part of or in connection with their teaching, research, or scholarship. Common examples of SCHOLARLY WORKS include: lecture notes, case examples, course materials, textbooks, works of nonfiction, novels, lyrics, musical compositions/arrangements and recordings, journal articles, scholarly papers, poems, architectural drawings, software, visual works of art, sculpture, and other artistic creations, among others, regardless of the medium in which those works are fixed or disseminated.

The definition of "scholarly works" is restricted only to faculty (a defined term--meaning faculty and some non-faculty--at least the university is consistent in screwing up definitions so words do not have their common meanings); students cannot write scholarly works, apparently, nor can post-doc researchers. We encounter again the verb "authored" rather than "prepared"--so the definition introduces its own idiosyncratic meaning rather than following the definition of federal copyright law. These works are ones that meet two tests--(i) the works are "authored" within the scope of employment (ii) "as part of or in connection with their teaching, research, or scholarship." So scholarly works involve scholarship and non-scholarship (teaching and research being distinguished from scholarship--it's not even "teaching, research, or other scholarship").

The definition is of little help. So far we have that faculty can produce works of authorship within the scope of their employment and outside the scope of their employment. The university's worry is that copyright in some of the scholarly works prepared by faculty within the scope of their employment should be owned by those faculty members and not by the university. Because employment for copyright purposes involves a multi-factor test for common law agency, it should be clear that university faculty--and students--and even some staff--are not working within the scope of employment when they teach, conduct research, and assist the public.

They are \*employed\* by the university for what are often called their "official duties"--they are not \*employed\* for the rest of their activities. Official duties are ones that the university directs,

reviews, controls. Anything else is independently undertaken. Maybe within the scope of one's "appointment"--something one is not prevented from doing, something that one may be expected to do, but not something that the university expressly contracts with a person to do. The person is an "employee" of the university for official duties, but receives compensation not just to do those things, but as a stipend to permit one to do other things as well, and not have to grub for money through a second job.

Again, imagine a state legislator. A state legislator is paid a stipend to perform official duties for the state. But the legislator's writings are not work made for hire. The legislator may be described as "employed" because he or she receives compensation from the state for providing services to the state, and communications he or she sends and receives may be public records, but none of this requires that the state owns copyright in the legislature's expression simply because that expression is connected with the work of representing the interests of the public in state service. Faculty operate in a similar way, as do students in their capacity as students. Very little of what any faculty member does is within the scope of employment for purposes of master-servant relationships. The university is no master of the faculty member's expression. The faculty member is no agent of the university's corporate body. The faculty member is a "member" for these purposes, not an "employee."

Now here's the rub. The policy then goes on to provide an extensive list of examples of "SCHOLARLY WORKS"--not "scholarly" works--that is, works that might be works for hire and also having scholarly attributes. The policy uses the defined term instead. Rather than using words with their common meaning to \*exclude\* these works from the definition, the list serves to \*include\* these forms of work within the defined term, "SCHOLARLY WORKS." That is, it makes it appear that these works are always works for hire, ones made within the scope of employment, when the reality of the working relationship with faculty (and others) is that they are not within the scope of employment, within the scope of common law agency. The whole point of the faculty relationship with the university is that it is not a matter of common law agency!

Think of it this way. Faculty are great blue herons. The university provides a wetlands to attract them, where they hunt for food, rear their young, and stand majestically, for the awe and delight of the general public. It is just that with faculty, who are people, not birds, what they do is valuable to the public--teaching, research, assistance--and what they use of the university's resources is a matter of negotiation. There is nothing, however, that requires a university to construe the contribution of resources--including funding or "pay" to be a matter of "employment" forming a master-servant relationship, so that the university is directing the faculty member's work and that work is done for the university and not self-directed by, and for the benefit of the public, by each faculty member.

Or put it another way. Faculty are both employees and independent contractors and private parties. For anything that the university can assign them to do, and direct them in doing, and approve or reject what they are to do, and dictate where and how they do it, the university is the employer, and they work within the scope of their employment. For other things, faculty are independent contractors. For these things, the university and the faculty member enter into written agreements that specify what will be done, and who gets what as a result.

These are the funding arrangements anticipated by the 1944 patent policy, garbled but still extant in the Regents Bylaw 3.10, and that persist in many university copyright policies (but not anymore at Michigan). And faculty members are of course also private citizens, provided with the freedom of the university. Where they do not serve the university as a master for official duties, and they are not working under a written agreement for a specific project, then they represent themselves, with no obligation to the university with regard to their work product.

This is the magic of the university--this freedom of capable people from control by the state, by any establishment, with regard to their work and their work products--call them scholarly, creative, inventive; call them workaday, utilitarian, crank, goofy. Doesn't matter--the purpose is to assemble people who can teach, study, and help--and let them do what they do, with minimal constraint. This is not idealism. It is the condition that faculty (most of them anyway, I am willing to bet) understand. This is what is set out in university academic codes, in the governance of the faculty senate, in statements of academic freedom and tenure. It should take more than incompetent drafting of patent and copyright policies combined with administrative love of power without accountability to overturn a few hundred years of successful cultivation of faculty. But there is always the possibility of a generation that destroys what has benefited them. It may be that Bayh-Dole will be seen as an agent that furthered such a destruction, by attacking the core of faculty freedom, allowing the expansion of university claims to invention ownership well beyond federal funding and beyond patents to "everything"--just as Dr. Sussman imagined. Such a dark, dismal thought, and yet apparently, from the records, no Regent objected. They must have wanted such an outcome.

So look at what this list in the definition of "SCHOLARLY WORKS" does. It makes it appear that all these forms of works and uses of works are works made for hire, not that it is possible that in some circumstances the university could direct the production of a work and yet not want to own it as a work made for hire, though technically the relationship crosses over into that of a master and servant.

For some of the items in the list, it's impossible to understand--"course materials" for instance. Materials introduced into a course may come from any direction--musical works, articles, art--what makes them "course" materials is merely that they are used for instruction in a course. Such materials may be subject to a fair use analysis, but as an illustration of the scope of work involved in a work made for hire claim, it's hopeless vague and not illustrative of much of

anything. It amounts to the claim that if something is used in a course, it must have been created as a work made for hire. I write a letter that I then bring into the classroom. It is now "course material."

The effect of this policy statement is to make it appear that the scope of employment at the University of Michigan is broad enough to include all manner of material that would otherwise be authored entirely outside the scope of employment. The stated purpose of policy is to somehow respect academic freedom. But the action of the policy is to create exactly the circumstances it deplores in "The Default." The policy creates a presumption of scope that is entirely opposed to the relationship that the faculty have with the university, or should have, but for such policy statements.

This apparatus of worry, default, definition of work to bring (or purport to bring) everything within the default, only to transfer it back is subject to conditions and exceptions. This is the meat of the policy, once the apparatus has done its horrific job.

The university doesn't transfer the copyright back. It retains a broad right to "use" works. "Use" is a term one avoids using in an undefined way in copyright licensing. "Fair use" is given meaning in copyright law. That's one thing. But to license another to "use" a work is nigh to a blank check to do anything--make copies, make derivative works, distribute, whatever. For all practical purposes, the transfer of copyright to the faculty is worse than offering joint ownership, since at least with joint ownership, the university would have an obligation to account to the other joint owner, the faculty member, for any profits made by the university in "using" the work. But with a free license to "use," the university avoids even this joint accounting requirement. So it's not much of a transfer.

The harsher point of the policy, however, has to do with its restrictions of scope:

- a. that are authored as required DELIVERABLES under a sponsored activity agreement;
- b. when that would put the University in violation of or conflict with an applicable contract or law;
- c. that are specifically commissioned by the University or are created as part of an administrative assignment to, for, or on behalf of the University;
- d. that are software under Regents Bylaw 3.10; or
- e. that are or have been transferred to the University in a writing (other than the Regents Bylaw 3.10 acknowledgment, which FACULTY sign as a condition of employment).

Paragraph c reflects what would be otherwise the standard condition under which the university might acquire copyright in any work of a scholarly nature. That's where scope of employment is articulated and negotiated. But you can see how the university has attempted to expand the scope of employment to be anything a faculty member might do, so that the generosity of the copyright policy is to transfer back some remnant.

Paragraph b provides that the university can prevent the transfer back merely by contracting otherwise.

Paragraph a introduces the idea of "DELIVERABLES"--but restricts those to works "that must be authored and delivered" rather than to those works that are discretionary, but if created are also deliverables. That is a big hole, given that the apparatus is set up as an auto-implemented system of present assignments and reverse present assignments. Perhaps paragraph b saves the day, but then why even have paragraph a, since if the sponsored research contract establishes what must be done and delivered, that covers it. Paragraph a presents as a restriction on paragraph b, and at best creates uncertainty, and at worst, fails to provide to the university what administrators might think they are writing words to obtain. Totalitarians think this way, when they have power. But negotiators cannot afford to do so, because they respect the meeting of minds as the foundation for enforceable promises.

Paragraph d misrepresents Bylaw 3.10. Or, one might say, provides an administrative reading that suggests an unexpressed assumption administrators make as to the meaning of Bylaw 3.10. Here's 3.10 on software:

Computer software created by members of the university staff in connection with administration, research, or other educational activities supported directly or indirectly by funds administered by the university, regardless of the source of such funds, shall be the property of the university. Such computer software may be made available for use on a non-exclusive basis by those who pay appropriate charges to reimburse the university for the costs of development, distribution, and reproduction.

It's just the first paragraph of 3.10, which concerned patents and copyrights, with "Computer software" replacing patents and copyrights, dropping "as a result of" (and so only "in connection with" and \*not\* as a result of, apparently) and dropping the misplaced parenthetical giving examples of indirect use of funds. The paragraph then adds a condition on software distribution that prohibits free distribution of software--and thus greatly restricts, by policy, the university's participation in open source software distribution. Everyone ([for instance](#)) appears to ignore this, however, other than perhaps at the Technology Transfer Office. This second sentence also indicates a restriction on exclusive licenses--the Regents, at least, provide that software, if made available, is for a fee, and "on a non-exclusive basis." One might argue the Regents are thus silent regarding exclusive licensing of software, and that exclusive licensing could be either free



or for a fee. Going that direction, the Regents Bylaws mean little more than places where the Regents dabble in the affairs of the university, and actually have little to do with the principles or policies that the university follows.

However one worries the strange uncertainty of the second sentence of this Bylaw 3.10 paragraph on software, the first sentence reads parallel to that of the first paragraph--the claim for ownership is only for software that is made "in connection with" a specially funded activity, and not as a condition of employment. Again, Bylaw 3.10, paragraph 4:

Patents, copyrights, and property rights in computer software resulting from activities which have received no support, direct or indirect, from the university shall be property of the inventor, author, or creator thereof, **free of any limitation which might otherwise arise by virtue of university employment.**

There's the scope of employment condition, being \*disclaimed\* in the Regents Bylaws. The "property rights" in computer software are, essentially patents and copyrights, depending on just what the "software" entails. To have a tangible property right to the media on which the software is recorded would take more than a statement in policy--one would expect to have purchased the media. To have a trade secret right to the software would mean having the power to prevent faculty from publishing, and that drives to abrogating academic freedom and tenure, which does not appear to be an objective that could be accomplished with the apparatus here in paragraph 4. But for the obfuscations of administrators--who show no competence with drafting, intellectual property, or policy formation--it is clear that Bylaw 3.10 concerns itself only with those patents and copyrights (including those in software) that the university has specially funded, but not by "virtue of university employment." That makes abundant sense.

As an aside, this software paragraph was introduced in 1976, before it was at all clear that software was protectable by either [patent](#) or [copyright](#). The Copyright Act of 1976 dealt with software, but it went into effect in 1978. *Diamond v Diehr* in 1981 is considered a turning point in allowing patents to recite software. So someone wanted the Regents to assert property rights in software where there was neither patent or copyright apparently available. Thus, the separate paragraph, and thus, also the words "property rights" without any apparent idea what these might be, except that these property rights *weren't patent or copyright*. What possible "property rights" could they have been? Perhaps someone anticipated a new statute on software, independent of either patent or copyright, and wanted to be sure the university was ready for it, whatever it turned out to be. Given the position of paragraph 4, one might argue that the purpose of paragraph 2 was to ensure both that the university was authorized to acquire property rights in software, and that software was not subject to a claim of ownership by the university any greater extent than works subject to patent or copyright. Again, all of this would make sense. What the university administrators now construe Bylaw 3.10 to mean does not make sense, is inconsistent

with the language used by Bylaw 3.10, and is inconsistent with the relationship between faculty and the university indicated by statements on academic freedom.

Here, for instance, is the University of Michigan [statement of academic freedom](#), from the Faculty Handbook (my bold):

Academic freedom is the liberty that faculty members must have if they are to practice their scholarly profession in accordance with the norms of that profession. **Academic freedom is not a term or a condition of employment; rather, it is based in the institutional structure of this and other universities** and is fundamental to their common mission of promoting inquiry and advancing the sum of human knowledge and understanding. Although some aspects of academic freedom are also protected by the First Amendment to the United States Constitution, academic freedom exists, independent of any external protection, **as a basic prerequisite** for universities to fulfill their mission to our society. Academic freedom is most commonly vindicated by individual faculty members, but remains first and foremost a professional prerequisite of faculty members as a group.

The statement then enumerates four basic "freedoms," the first of which is (again, my bold):

*freedom of research and publication.* Within the broad standards of accountability established by their profession and their individual disciplines, **faculty members must enjoy the fullest possible freedom in their research and in circulating and publishing their results.** This freedom follows immediately from the university's basic commitment to advancing knowledge and understanding. **Restrictions on research and publication should be minimal and unobtrusive.**

The university is in no position to assert either a trade secret ownership of faculty work, nor to claim to own (and therefore control the publication or public use of) such work as a condition of employment or as consideration for employment or access to university resources, not with regard to patents, nor copyrights, nor property rights yet to be enacted into law.

In light of all this, we can then consider paragraph e of the copyright policy's list of exceptions to the transfer of copyright:

that are or have been transferred to the University in a writing (other than the Regents Bylaw 3.10 acknowledgment, which FACULTY sign as a condition of employment).

The first part is clear enough--if a faculty member assigns a copyright to the university (now or in the past), then that copyright is not automagically transferred back by the policy. But that clarity is really murk, because a copyright in a work for hire never gets assigned to the employer.

The employer is the author under the law. The employer owns outright. So the copyrights that would be transferred in a writing would not be copyrights works made for hire (at least not the *university's* works made for hire--they could be works made for hire in which the faculty member is the author and others have prepared the work under the faculty member's authority). The upshot is that it makes no sense for this paragraph to exist. There are no works made for hire that could logically or legally exist in this category. There are no copyrights to identify as an exception. If the university required as a condition of employment that faculty assign copyright in all their work over to the university and the university would assign back everything that met some definition of "scholarly" things would be different. But the university doesn't require such an assignment (and in any event, the assignment would be for things outside the scope of employment) and so this paragraph has no reason to exist.

But exist it does and it leaves its own red mark in the form of a parenthetical:

(other than the Regents Bylaw 3.10 acknowledgment, which FACULTY sign as a condition of employment)

If this statement refers to the Supplemental Appointment Information Form's present assignment clause, things are wrong. First, that present assignment clause is not an "acknowledgement"--it is an assignment clause--garbled and indefinite and inconsistent with Bylaw 3.10 as it is. The clause does not "acknowledge" anything. It grants ownership up front in things that have not been made, subject to wild fantasies of administrators who cannot draft a policy to save their souls.

Nothing in Bylaw 3.10 makes assignment a condition of employment. Perhaps some other policy authorizes administrators to make assignment a condition of employment. I haven't found such a policy. To exist, it would have to limit or abrogate the statement on academic freedom. At least as of 2010, university faculty had not got a memo about it. I suggest that administrators have *just made up the obligation*. It's just a convenient fiction they have come to believe.

They present Bylaw 3.10 to mean faculty must assign everything made in any education activity, or made with the use of university resources, or in university facilities, whether the support is direct or indirect. All this despite the history of the language, despite the specific wording directed to patents and copyrights, despite the apparatus to define special funding and disclaim employment as the basis, despite the statement of academic freedom, despite the conditions of common law agency that attach to the meaning of "scope of employment" for copyright law, despite the requirement in patent law that "mere employment" (including master-servant relationships that might give rise to work made for hire) doesn't create an ownership position for the employer in the inventions of the employee.

Despite all this, and despite elaborate, chaotic, garbled policies on technology transfer and copyright, it appears that the Human Resources folks have gone along with the idea that the university is within its authority to induce employees to believe that they must give up their inventions and copyrights and whatever else as a condition of employment, and to give those property rights up upfront, without clear definition, as if the Regents had required it.

If indeed giving up personal property rights in patents and copyrights was a condition of employment, the university might be upfront about it and make it part of offer letters, and not bury it in a document deceptively labeled "Supplemental Appointment Information." The present assignment is neither supplemental nor information. Or, if the form's title's words \*mean\* something, then on the face of it, as any new faculty or staff member might reasonably be led to believe, the present assignment requested is indeed "supplemental"--ancillary, after the fact, not a condition of employment, just as the Faculty Handbook's statement of academic freedom provides, just as the Regents Bylaws 3.10 paragraph 4 provides.

What a mess. What a killer of innovation.

### **The 1987 Patent Policy**

In [Part IV](#) of this series, I consider the University of Michigan's 1987 patent policy and arrive at the odd result that despite all the wording, most of the university's IP management program rests on neither policy obligations nor contracts but on the voluntary choice of the faculty. The reason I propose for that choice I leave for the end of that article. But the result actually is more general than people might guess--most university patent policies are mess, and faculty follow them not because they are legally bound to, but because they choose to. Although the policy regime is claimed to be one of compulsion, the actual practice appears to persist from over fifty years ago--academic freedom and faculty choice.

In a series of three articles ([here](#), [here](#), and [here](#)), I showed how the University of Michigan intellectual property policy apparatus managed--or didn't manage--patents and copyrights. One problem is Regents Bylaw 3.10. The Bylaw sets out conditions under which it is appropriate for the university to take ownership of patents and copyrights. In doing so, it brings forward the language of the 1944 patent policy, but then conflates two separate conditions, adds copyright and enigmatic "property rights" in software, and follows with a string of conditions, exceptions, and worries. The basic premise of ownership described by Bylaw 3.10 is this: "When the university specially supports an activity that either needs or produces patents or copyrights or software, the university should own those patents and copyrights and software and enjoy whatever financial benefit might come from such ownership."

The burden of 3.10 is to give scope to what it means to support an activity. 3.10 focuses on money "administered" by the university. That is, money in university accounts. The worry of the

Bylaw is that money from donors or from the state or from research sponsors or from program income might be treated differently. So source of funds is disclaimed. A second worry is that the money could go to support an indirect expense rather than a direct expense. A laboratory could be outfitted with new equipment, for instance. So Bylaw 3.10 calls out indirect support to make clear support is not limited to direct funds.

The distinction between direct and indirect research funding is well established in sponsored research administration. Use of the language here underscores the idea that the purpose of the policy is to deal with when the university itself acts as a research sponsor. This has been a concern in university patent policies from the earliest efforts at policy drafting. If an external sponsor of research can negotiate for rights in patents and copyrights arising in a university research project, why should not the university itself be also able to do that, negotiating with itself, so to speak?

Why should a university negotiate with itself? That's the interesting question. The reason has to do with the very structure of a university, which exists to support a faculty that carries out the mission of the university. The mission of the university administration is to provide support to the faculty, which in doing what faculty do (teaching, research, public service--professing), accomplish what the founders and supporters of the university desire. [The University of Michigan Faculty Handbook](#) (1.C) makes this point, that

Academic freedom is not a term or a condition of employment; rather, it is based in the institutional structure of this and other universities and is fundamental to their common mission of promoting inquiry and advancing the sum of human knowledge and understanding.

The faculty have freedom. That means that what they do and produce is not subject to administrative or corporate control, as a matter of the structure of the university, not as a condition of employment. Throughout the Faculty Handbook, faculty are appointed, not employed. There's a reason that the Faculty Handbook does not use a term drawn from the rise of corporation-based master-servant relationships with regard to what faculty do for the university. Faculty have freedom. That's the point of the university. But faculty freedom also means that individual members of the faculty can agree to limit their freedom in return for some opportunity. So in exchange for research funding, a faculty principal investigator may agree to assign patent rights in inventions to the sponsor. Or in exchange for publishing an article, a faculty member might assign copyright in the article to a publisher. Similarly, if the university administration seeks a special service from a faculty member, the faculty member is free to negotiate the terms of that service.

Perhaps the university wishes the faculty member to serve in an administrative capacity for a program, and so produce materials that support that program, and in exchange, the faculty

member will receive additional salary and have an account for the program from which to spend. In return, the stuff that gets produced to support the program will be the university's not personal to the faculty member. It's a voluntary deal, and so preserves academic freedom. If a faculty member could not negotiate in this way, then her academic freedom would be limited--she could not work anything out with the university.

As faculty became involved in research endeavors, and those endeavors proved capable of producing inventions of value to industry, universities began hiring for research positions--people who would work on directed projects with the aim of producing the next [heparin](#) or [irradiated milk](#). When a university hired for such projects, administrators--as well as other members of the university community--felt a need to see some share of any possible financial upside from such dedicated support. So one of the first areas of concern in university patent policies--aside from disavowing patenting, especially in medicine--was to set out expectations and procedures when the university provided special resources, above and beyond those that it made available to faculty as an essential part of the administrative mission--salary, office, secretarial support, library, shop, professional development funds for travel, and the like. These things came with the territory; they were "based in the institutional structure," so to speak, as part of academic freedom.

The point of policy was to provide guidance on when it was appropriate for the university to expect a share of the financial success of inventions made in such projects. The general approach to the problem was to create a review panel or committee with significant faculty representation (if not entirely faculty) to review circumstances of special support, compare with policy guidance, and make a determination of what equitable share the university ought to receive--nothing, reimbursement, some share of royalties, all royalties, ownership. The whole range of possibilities was generally available.

In this approach, the university did not withhold special resources until a faculty member caved and agreed to assign all inventions to the university, nor did it hand out resources indifferently to faculty to fuel their personal financial adventures with patents, nor did it claim that any use of the university's resources or any receipt of pay constituted special resources that gave rise to a claim of university ownership. The equitable review approach was an insightful solution, as it allowed the faculty to review the work of peers and consider personal initiative and insight relative to the special benefits made available by the university--benefits one of the faculty had received, and therefore the others had not.

Two variations on the review method were also developed. One was to call for written agreements to set out the expectations of the university in providing resources and faculty members for accepting them. Such an approach also makes sense, though it also may be time consuming. And how does one decide what is fair, upfront? How does one be consistent when dealing with a junior faculty member one day and a powerful dean the next? Another variation

dealt with these issues by setting a threshold in policy for what constituted "significant" resources and place a standing claim on the ownership of inventions developed with support that met the threshold. That saved everyone the bother of review or negotiation. Administrators, however, love avoiding bother, even if the bother is actually at the heart of sound judgment and respect for the idea the university. If a policy can diminish the need for individual judgment while providing an appearance of respect, it all seems so much better--one can hire lower on the evolutionary ladder, spend less time with training, and not worry so much over social niceties.

The University of Michigan 1944 patent policy is a typical effort to express the general statement that specially funded projects that result in patents--whether produced or acquired--ought to carry with them the condition that the university owns those patents. The policy does not attempt to set a minimum threshold for funding and does not include a review committee, but Archie Palmer reports in 1962 that with regard to the 1944 policy "as a general practice, each situation is considered on an individual basis." The point, then, of the 1944 policy was to establish a principle--university specially funds, resulting patents are the property of the university. How that principle gets interpreted was still case-by-case. Still an equity review for when the university would take ownership, and when not, which makes sense if the policy is not going to state a threshold for funding that triggers the ownership claim.

Regent Bylaw 3.10, which comes along after 1962 and before 1976, keeps the same structure, but with conflation, garble, extensions, and exceptions. The issue still is special funding, but now adding copyright and software, worrying about mixed situations, excluding employment as a form of special funding, and the like. If Bylaw 3.10 had been intended to read as a comprehensive claim on all inventions, copyrights, and software created by anyone receiving funds or using facilities or using resources or working within the scope of employment or working within the scope of one's field of academic appointment, or working in any way under the "auspices" of the university, there are plenty of direct, clear ways to make the point.

If Bylaw 3.10 had been intended to reach from forms of intellectual property--patents, copyrights, mystery "property rights" in software--to the underlying assets of inventions, works of authorship, code, or anything else, whether it could be owned or not--again, there are ways, not quite so direct and clear, of getting at such things. Bylaw 3.10 does none of this. It takes a tangled mind, or a purposely clever one, to read into Bylaw 3.10 what is not there, and to claim that while the ordinary reader might not be able to recognize a general claim to own all assets produced by anyone at or in or using anything of the university's, a clairvoyant administrator, properly empowered with the monopoly right of interpretation, may divine the true intent and contort the wording around to this effect.

The Shaw court's view echoes here: a university's true intent that is not expressed is irrelevant to the construction of a contract that incorporates a university patent policy. There is a simple lesson in both policy and contracting: words matter. We all recognize that words have limits--

one can rarely get exactly what one wants, even when writing fiction. But we can make words do useful work, with clarity, with good sense, with logic, and with reasons. Doing so invites goodwill and common cause, while leaving room on the margins for debate, negotiation, and compromises. If people come to think they are writing sacred text, or have become lawgivers, or even merely have been given the opportunity to lay land mines to protect their livelihoods and opinions, policy and contract both are pretty much doomed.

If Bylaw 3.10 was intended to adopt the wording of prior patent policy but change the meaning wholesale from special projects to any activities at or for or with university support, then it is an easy step to call out the changes, to put everyone on notice, to create a text that any reasonable person might read and reach such an understanding. That is not what Bylaw 3.10 does. It does not state any such general claim.

The apparatus of technology transfer policy, copyright policy, and present assignments is built on the authority of Bylaw 3.10. That apparatus spends a great deal of time muddying the water with grossly bad drafting, extending university claims into regions that Bylaw 3.10 provides no authority, and loading the policy with the ability to change the policy at will, while demanding that as a condition of employment (that is, for faculty, as an attack on tenure), everyone at the university must accept whatever changes the Office of the Vice President for Research imposes, or whatever any unit of the university "in good faith" bargains differently in a contract. The fundamental claim that gets made is the one voiced to the Regents in 1985 by Dr. Sussman, that "the university owns all intellectual properties of the faculty." Wherever this claim comes from, it does not come from Bylaw 3.10 and it does not come about as a result of federal patent or copyright law, and it does not come about from the Faculty Handbook, and it does not appear to be based in any express employment contracts or patent agreements from 1985 that the university entered into with each member of the faculty.

As for the university patent policy in 1985, I don't have a copy. But the Proceedings of the Regents does have the text of the [Policy on Intellectual Properties](#) introduced in 1987, which according to the Proceedings is revised to "bring it up to contemporary status and make it comparable to those in effect at peer institutions." Given the lack of clear drafting in many post-Bayh-Dole efforts at revising university patent policies, it is worth wondering just what those at the University of Michigan thought those peer patent policies actually did. The 1987 policy recites Bylaw 3.10 and states that the "first, and primary" objective of the the policy is to "facilitate" the efforts of faculty and staff to "carry out the University's mission." Two other objectives are mentioned--"efficient transfer of knowledge and technology" and "attract resources for the support of University programs."

There is no claim of ownership in the policy. Instead, the policy requires disclosure of "intellectual property":



University employees have an obligation to disclose promptly and completely to the Intellectual Properties Office any intellectual property developed or discovered as described in Regents' Bylaw 3.10.

It is not clear at all where the employees have got this obligation from--the language here makes it appear that the obligation comes from some other source, not the present policy, and not from Bylaw 3.10, which is invoked only for the scope of the obligated disclosure. There is no special definition of "intellectual property" in the new policy statement, so it would appear that patents, copyrights, and any property rights in software (which by 1987 would have been patents and copyrights, as forms of intellectual property, though in some odd way, perhaps trademarks might come within the scope of "property rights" pertaining to software) are the assets in question. But disclosure typically is concerned with reporting inventions, not in reporting the existence of a patent. Further, one develops inventions or discovers new things, one does not develop a patent or discover a patent. So intellectual property here is meant to cover not only statutory forms but also the works on which the legal rights are based.

The words "developed or discovered" are a strange twist on the language of Bylaw 3.10 and a needless restriction. Bylaw 3.10 concerns patents and copyrights that are "acquired or issued as a result of or in connection with" educational activities specially funded by the university (to paraphrase the last part for clarity). The wording in the 1987 policy ought to use "as a result of or in connection with" and not introduce new terms. While "discovery" has a connection with patent law, being referenced in the US Constitution ("secure for limited times to inventors ... the exclusive right ... to their discoveries"), the subject of a patent is an invention and the act that matters is the one of discovering the invention, not discovery in general. "Discoveries" is therefore much more sweeping than "invention," which in turn is more general than what is really looked for, "an invention which is or may be patentable." "Developed" is generic and it is difficult to understand what scope is intended here. Perhaps it is used to mean "made" or "come into being," but "developed" may also mean "augment" or "advance"--which again would be much require a scope broader than the language of Bylaw 3.10 supports. Perhaps "developed" is merely bad usage for what authors do when they fix original works of authorship in a tangible medium of expression. In that case, why not use "prepared or invented"--or better yet, why not state the conditions for disclosing patentable inventions separate from those for works of authorship and avoid the conflation altogether?

It is possible that putting the tag "as described in Regents' Bylaw 3.10" at the end of the sentence reduces all the wording to whatever it is that Bylaw 3.10 does describe--in which case, why not just cite Bylaw 3.10 accurately? In any event, the policy requires disclosure only of the work that Bylaw 3.10 expects to be the property of the university.

What puts all of this in perspective is an asterisk note at the end of the 1987 policy statement (there is no asterisk in the text corresponding to it):

The University will continue the tradition of not claiming ownership or a share of the proceeds from scholarly works and textbooks. Software and works expressly commissioned by the University will continue to come within the purview of the policy.

Here we find that "scholarly works" does not include "textbooks." Both forms of works are not "expressly commissioned" by the university--at least a gesture to the thrust of Bylaw 3.10's special funding for educational activities, though expressly commissioning a work is only one way in which special funding might be authorized. It is an odd expression, however, to write that the university "will continue the tradition of not claiming" when there is nothing in policy that establishes a claim to scholarly works or textbooks unless there is special funding associated with it. That's not a "tradition"--it's either a function of policy that does not authorize such claims, or a pattern of setting aside a claim in policy (as, when a scholarly work or text meets the scope of arising in or connected with a specially funded educational activity). There is nothing about such behaviors that rises to the level of a "tradition"--it's policy and established practice under the policy. To call something a "tradition" here is, essentially, to designate it for change at a whim, as if the policy does claim ownership of scholarly materials and textbooks, but the university administration chooses not to have the fight about it at this time. "Regardless of what you may think, I own all your stuff, but since you will object, I will bide my time until the opportunity presents to take what I want."

This is all complicated further, however, by yet another statement in the policy:

Inventors and authors of intellectual properties resulting from specifically assigned tasks will not normally participate in the royalty/equity revenue distribution plan described herein.

So even though scholarly works and textbooks are not even claimed by the university and lie outside the policy altogether, if one is "specifically assigned" a task then the university apparently owns the work and owes no royalties. Or is the condition triggered when one is "expressly commissioned" to create a work?--is it the task that is assigned or the work product that is desired by the university? In any event, if the task that is specifically assigned involves federal funding, then this policy provision violates the standard patent rights clause in the funding agreement.

The 1987 policy, in an interesting move, gives management options to those disclosing their developments and discoveries. (The policy introduces the term "inventors" and promptly defines it, conflatingly, to mean "inventors or authors." That is, "inventor" means "inventor" and "not-inventor." There must be some disease in Ann Arbor that has prevented clear drafting practices for decades.) All three options assume "commercialization"--there is no indication that any other forms of deployment of intellectual property exist or might be considered, such as broad public access and use, standards development, or dedication to a commons, nor even mixed use, where

for research and internal uses there are no controls, while commercial implementations must provide some value added. The three options are:

- Licensing Third Parties
- Licensing Employee-Inventor Owned Companies
- Reassignment of Ownership to Inventors

The options imply that there is an assignment step by which the university comes to own the intellectual properties prior to the "inventors" making an election. If the election is with the "inventors," why not require disclosure, make a determination that the university won't take ownership, and then waive the obligation to assign, and let the thing rest? Instead, the reassignment option really isn't--it's a deal that demands reimbursement of any university patent and licensing expenses plus a 15% royalty for the transaction. If university administrators wanted to prevent this third option, a simple practice would be to run up a big patenting and licensing bill immediately, before the "inventors" have time to elect this third option. As one university patent administrator on the West Coast told me once (I paraphrase), "we don't care how much we spend on patenting, because the licensee will have to reimburse us." That university's patenting costs were easily 30% higher than appropriate--a feeding frenzy at the bowl of state money for the patent attorneys involved. The third option is unsettled anyway, as the policy gives the Vice Provost for Research the unilateral power to make the royalty rate even higher.

The second option is akin to the third, but instead of assigning back to the "inventors," the university licenses to a company in which the "inventors" have a financial interest. The guidance here dances around the idea that licensing agreements with inventor startups can't have terms different than for other licensees (as that would be, no doubt, an institutional conflict of interest as an instrument of the state relative to its licensing behavior toward other companies). But "helping the company become viable" sounds like offering favorable terms, as does the cloudy language about terms reflecting the "inventors" "increased acceptance of responsibility." In any case, two of the three options available to "inventors" cause the university to assign or license the property back to the "inventors." The effect of the assignment and transfer is for the university to spend money on the asset--filing patent applications, essentially--and harvesting a financial return as a matter of contracting.

For option 2, licensing to the inventors' startup, the policy authorizes the university to withhold any royalty payments to the inventors. "The inventor's potential for revenue under the University's standard distribution plan outlined above is exchanged for the potential rewards from the license or assignment." If the university ever followed this procedure with an invention made with federal support, the university would have violated the Bayh-Dole Act, which requires federal agencies to require the university to share licensing proceeds after expenses with inventors. It is not the inventors' fault that the university puts them in a position to benefit from both a university royalty stream and whatever financial stake they may have in a startup taking a

license from the university. And the policy does not begin to comprehend the situation. An inventor might choose option 1, and have the university license the invention to a company, which then brings the inventor into a financial relationship (for instance, as a consultant, a line officer, or an equity holder) and the situation would be exactly the same as in option 2, except that the inventor in option 2 is excluded from a share of the university's licensing income.

These are the hazards of creating a program based on demanding ownership of a broad swath of intangible assets up front, spending money on those assets outright, and then trying to sort out how to deal with the consequences. If a university pursued an equitable sharing approach, then following disclosure of a property that was acquired or issued as a result of or in connection with a university-funded educational activity, the review would be to consider the extent of university support. Then if the "inventors" wished to pursue commercial exploitation, the university--by policy--would assert a financial interest in any proceeds, rather than take ownership, spend money, and then seek to base the value of its claim on how badly the inventors want the property back, or how well funded their startup is, or how much the university has gone off and spent. That is, the entire apparatus of review for commercial potential, patenting, negotiating, and licensing management would only take place where the inventors requested university involvement and had made the choice not to pursue their own commercialization--and perhaps had chosen to publish the results for use without requiring a commercial product first be created.

The 1987 Policy on Intellectual Properties assumes assignment of patents and copyrights will be requested but provides no guidance on when or how. Bylaw 3.10 draws a narrow scope on the property rights that the university is to have the right to claim--patents and copyrights that are acquired or issue as a result of or in connection with specially funded educational activities. The policy statement, however, can be read as if anticipating that Bylaw 3.10 will be read to mean that the university claims ownership of all faculty work, and that these various annotations and options are there to relax the university's grip where it would be contested, such as over academic freedom or entrepreneurial faculty who are ready to start companies and don't need the facilitation of a university office to do so.

The IP practice at the University of Michigan is what it is. But the policy apparatus is a mess. Given the narrow authority of Bylaw 3.10, the unparseable nature of the technology transfer policy, the garbled mess of work made for hire by the copyright policy, and the further indefinite and garbled present assignment required on the deceptively titled Supplemental Appointment Information form, it would appear that the university has no basis to claim that its policies form a contract that requires assignment of inventions (or anything else). Policies work best when they constrain the institution, and therefore constrain the officers of the institution who are authorized to take actions on behalf of the institution. Here, at the University of Michigan, the policy is used as a threat. That faculty or anyone else actually assign inventions to the university must be the result of their voluntary choice and not as constrained by either contract or policy. It may be that they choose to assign because they want the benefits of the technology transfer program--filing

patent applications and paying for them, representing the invention in licensing negotiations, and handling the money. All that is possible and good. But it may well also be that some faculty assign because they don't want the hassle, the threats to their jobs and reputation, the cost of battling an unreasonable administrative claim on the meaning of a policy's words, given that the administration has a nearly unlimited legal budget to defend its reading, as contestable as it is. As the late Thomas Roach--for fifteen years a regent at the University of Michigan--put it [in 1983 in the context of a debate](#) on another aspect of research policy, "It appears the proposed policy was supported by the faculty because it could have been worse."

If the reason faculty opt to participate in the technology transfer program is that it otherwise "might be worse" for them, then we have a better understanding of what the administration means by "facilitating" their choices. Make the policy a mess, threaten to make it even worse, and the faculty will come around. Such a way to inspire innovation from faculty inquiry and initiative!