

SALK INSTITUTE FOR BIOLOGICAL STUDIES

PATENT AND INVENTION POLICY

Effective July 1, 2010 (11.03.15)

1. GENERAL POLICY AND OBJECTIVES

One of the primary objectives of the Salk Institute for Biological Studies (the "**Institute**") is to promote the wide dissemination to the general public of the results of scientific research carried out at the Institute. This objective is generally realized through prompt publication of research results through the usual academic channels. The Institute makes every effort to encourage such publication.

The Institute, of course, realizes that inventions or discoveries may result from the activities of Institute employees in the course of their research duties or through their use of Institute resources such as facilities, equipment, space, services, supplies, funds, etc. It is the Institute's policy that such inventions or discoveries will be administered in a manner so that they may be brought into practical use for the public benefit at the earliest possible time. To implement this policy, the Institute endeavors to encourage and facilitate technology transfer by all means appropriate to an institution supported by public and private funds, being cognizant of the respective interests of the Institute, the Institute's research sponsors, the inventors and the public. Such implementation generally involves the filing of patent applications on such inventions and the subsequent licensing of the resultant patent rights.

The Institute respects the proprietary nature of information and materials that are protected by intellectual property rights. The use or disclosure of such protected property of other organizations and individuals requires proper authorization from the rightful owner. Thus, it is the policy of the Institute that employees not use proprietary materials of others or disclose proprietary information of others for Institute activities and not maintain proprietary materials of others at Institute facilities without obtaining the required authorization.

The Institute will endeavor to implement its policy with respect to inventions or discoveries in a manner so as not to interfere with or delay the prompt publication of the results of the research involved.

2. DEFINITIONS

Throughout this policy, the terms listed in this section will have the following definitions:

- (a) **Invention.** For purposes of this policy, an invention includes every possible discovery, finding, method, formula, process, technique, procedure, system, product, device, apparatus, machine, design, article of manufacture, composition of matter (including but not limited to chemical compounds, proteins, (e.g.,

antibodies), nucleic acids, vectors (e.g., plasmids or viral vectors), cells or cell lines, microorganisms, plants, animals, and the like), codes, computer programs, or a new use for, or improvement of, any of the above, whether patentable or not, which is conceived, developed, made, produced, or reduced to practice by an Institute employee (or a visiting scientist who carries out research work at the Institute), as a result of his (her) work at the Institute, or through the use of any Institute information, facilities or other resources.

- (b) **Inventors.** An invention may be made solely or jointly with others as co-inventors. To be recognized legally, a co-inventor must have conceived of or conceived and developed an essential element of an invention or contributed substantially to the inventive concept. However, for patent purposes, an inventor is determined by the claims and thus actual inventors named on a patent application must be determined by patent counsel based on legal criteria.
- (c) **Conception of Invention.** For purposes of this policy, conception of invention means the formation in the inventor's mind of the idea of the invention as it is thereafter to be applied in practice. For legal purposes, inventors must contribute to the conception of an invention.
- (d) **Reduction to Practice.** Reduction to practice of an invention occurs when the inventor's conception of the invention is actually tested in the laboratory or otherwise embodied in such a form as to render it capable of actual use. Individuals other than inventors can contribute to the reduction of practice of an invention.

3. RIGHTS TO INVENTIONS

Except as otherwise specified by the Institute in writing, inventions made by Institute employees or visiting scientists in the course of their research activities at the Institute or resulting from the use of Institute information, facilities or other resources, as well as any patent applications, patents or profit-yielding agreements resulting from such inventions, shall belong to the Institute.

An Institute employee will not be obligated to assign rights to the Institute when the invention qualifies fully under California Labor Code Section 2870 (copy attached as Exhibit A). Under this law, an employee is not obligated to assign any of his or her rights in an invention to his or her employer when the employee developed the invention entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information, except for those inventions that either: (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.

Each employee of the Institute, at the time of employment, and as a condition precedent to such employment, and each visiting scientist conducting scientific work at the Institute, as a condition precedent to being permitted to conduct such work, unless provided an exception in

writing by the Institute, shall agree to assign to the Institute, his or her rights to all inventions he or she may subsequently make while working at the Institute or with Institute information, facilities or other resources, as well as to all patent applications, patents and profit-yielding agreements which result from such inventions. Each such person shall further agree, upon the request of the Institute, whether during or after his or her employment at, or visit to, the Institute, to do whatever is required for the Institute to apply for and receive patents on such invention(s) in any and all countries.

The form of agreement which employees are required to execute at the time of employment is attached as Exhibit B to this policy.

The Institute, in consideration of the assignment by an employee or visiting scientist of inventions and resulting patent applications, patents and profit-yielding agreements, will distribute to the employee or visiting scientist, or his, her or their heirs, a percentage of net licensing income in the manner specified under Paragraph 7.

4. DISCLOSURE

As a condition of employment, Institute staff members shall disclose in writing to the Institute, at the time of employment by the Institute, all personally owned inventions previously conceived, reduced to practice, or developed by them as well as all active consulting agreements previously entered into.

Employees, and visitors conducting scientific work at the Institute (unless provided a written exception by the Institute), shall promptly and fully disclose each and every invention made during the period of employment by the Institute, or visit at the Institute, to the Institute's Senior Director, Office of Technology Development (OTD), and describe the circumstances under which the invention was conceived and/or reduced to practice, by properly preparing, executing and submitting the appropriate written Research Disclosure Form (provided by OTD). A sample Research Disclosure Form is attached to this policy as Exhibit C.

In the event of a disagreement between the Institute and any individual concerning rights of any kind in an invention, it shall be the responsibility of such person to demonstrate, to the satisfaction of the President of the Institute or his designee, including for example, an Intellectual Property Committee, the rights, if any, of such person in such property. The President or his designee will then determine the rights to the invention in accordance with the Institute's current policy. The President or his designee may determine that the Institute has no property interest in the invention because its conception and reduction to practice was unrelated to the individual's work at the Institute or involved only insignificant use of Institute resources.

If an invention or patent has been wrongly assigned to a third party, action may be taken by the Institute, or the research sponsor, to claim rights in such invention.

5. DISPOSITION

The Institute shall have the sole right to determine the disposition of Institute-owned inventions, subject to any prior contractual obligations of the Institute to external sponsors. Such disposition shall be in a manner which, in the judgment of the Institute, is in the best interests of the Institute, its inventors, its research sponsors and the public.

Under United States Government sponsored research, the Government normally grants to the Institute the rights throughout the world in and to any inventions made in the course of or under a grant or contract, but reserves to the Government a royalty-free license, as well as march-in rights if the Institute fails to reasonably pursue development of the invention.

While it is the general objective of the Institute to obtain patents on valuable inventions and discoveries which arise out of the activities of Institute employees or which are developed by the use of Institute resources, this objective must be pursued in a manner consistent with the obligations of the Institute to any sponsor involved subject to written agreements between sponsor and Institute which are reviewed, approved and monitored for compliance by OTD.

The evaluation of inventions, and the selection of those inventions that warrant the filing of patent applications, is a complex task which requires legal, business and scientific judgment. All such evaluations and selections at the Institute shall be made by OTD with advice and assistance from other sources as needed, including, without limitation, any patent committee of the Institute and any designated patent counsel, and when relevant, the sponsor. Any such decisions shall ultimately be made by the Senior Director of the OTD. If needed, additional review shall be made by the President or his designee.

The Institute will inform inventors, as promptly as practicable following the inventor's submission of a written Research Disclosure Form, as to its decision regarding whether or not it will file a patent application on the disclosed invention. The Institute shall have the absolute right to determine whether it would be in the best interests of the Institute, sponsors, the inventor and the public to file a patent application on the invention, dedicate the invention to the public or, with the approval of any research sponsor or sponsors, to license the patent rights in the invention to the inventor, the license fee being the reimbursement of Institute's patent costs. If a written release of patent rights by a license is granted to an inventor, the Institute shall not be obligated to bear any costs relating to patent prosecution, protection, licensing, or any other costs associated with the invention. Further, the Institute will normally retain a nonexclusive royalty-free license, with the right to sublicense and practice, both only for academic, non-commercial research purposes.

6. LICENSING

In some cases the dedication of an invention to the public or the granting of royalty-free nonexclusive licenses to an invention will best serve the interests of the Institute and the public. However, in most instances, depending on the particular nature of the invention, the costs involved in transforming the invention into a commercial product or process, the economic potential of the invention and the desires and expectations of potential licensees, the Institute will license the invention on either a nonexclusive basis, a partial exclusive basis or an exclusive basis.

7. DISTRIBUTION OF LICENSING INCOME

The Institute will distribute to the inventor(s), or his, her or their heirs, and to the laboratory(ies) of the inventor(s), a percentage of the Net Licensing Income (as defined below) received from licensing an invention

If a patent application is filed, net licensing income will be shared with the inventor(s) and laboratory(ies) of inventors according to the following breakdown:

DISTRIBUTION OF INCOME FROM PATENTED INVENTIONS
To inventor(s): 33% of Net Licensing Income.
To laboratory(ies) of inventor(s): 7% of Net Licensing Income.
The remaining Net Licensing Income will be allocated for general Institute purposes including any specific allocations for research support or otherwise the President or his designee may make.

If the invention is not to be patented, but nevertheless generates money to the Institute the Institute will distribute to the developers and to the laboratory(ies) of the developers, a percentage of the Net Licensing Income (as defined in Section 7) received from licensing of the invention according to the following breakdown:

DISTRIBUTION OF INCOME FROM NON-PATENTED INVENTIONS
21.25% of Net Licensing Income to an account of the laboratory of the developers ("lab share")
21.25% of Net Licensing Income to the developers of the invention ("developers share")

"**Net Licensing Income**" as used herein, shall mean gross licensing income received from royalties and/or fees with respect to an Institute invention other than consulting fees (which are normally paid to the person(s) providing the consulting without taking any deductions), less fifteen percent (15%) to assist in covering related internal costs, less external costs of patenting, maintaining, licensing, protecting and preserving the patent rights relating to the invention. Option payments are generally treated as licensing income.

Distribution of the "inventor's of developer's share" and the "laboratory's share" of the net licensing income shall generally be made on a semi-annual basis, from the amount of net licensing income received during the fiscal year.

Payments to inventors and laboratories of inventors out of net licensing income from a patented invention are made on a patent-by-patent basis. In cases in which several inventions are licensed under a single license agreement, the Institute shall determine the share of net licensing income attributable to each invention.

Where there are two or more co-inventors of an invention with respect to which net licensing income is to be paid in accordance with this policy, each of the co-inventors and their laboratories shall share equally such net licensing income, unless all of the co-inventors have, prior to the first payment to them of net licensing income attributable to the invention, agreed, in writing presented to OTD, to a different distribution. Where such an agreement has been entered into by the co-inventors, the agreement will govern the distribution of net licensing income among the co-inventors and their laboratories.

The inventor(s) designated on a patent application that is subject to this policy shall be determined by the Senior Director, OTD with advice of patent counsel in accordance with the law on inventorship under United States Patent Law.

The amount of net licensing income allocated to an inventor, as specified herein above, will not be reduced or terminated as a result of the inventor not being, or ceasing for any reason to be, an Institute employee.

8. SPECIAL CONSIDERATIONS REGARDING STOCK

Occasionally the Institute may elect to receive stock from licensees ("**Licensee Stock**") as part of the consideration for the license of technology developed by the Institute, particularly where the licensee is not a publicly traded company. A direct distribution of a portion of this Licensee Stock to inventors under the Institute's Patent and Invention Policy can raise a number of securities and tax law issues, including the following:

- (a) The Institute is generally required to give the licensee a so-called "investment letter," in which the Institute represents that it has acquired the Licensee Stock for investment and not with a view to distributing the stock to others;
- (b) Under existing tax laws, the Institute's distribution of non-traded Licensee Stock to inventors (or even the inventors' having an option to receive the stock) would cause the inventors to be immediately subject to taxation on the value of such stock even though there may be no market for the Licensee Stock and the inventors are therefore not able to sell the shares to generate cash to pay the resulting tax liability; and
- (c) If the Institute paid cash to the inventors in lieu of distributing their share of any non-traded Licensee Stock, the Institute would generally have little basis on which to place a value on such stock other than the representations of the licensee. Furthermore, since the Institute may determine to hold its share of any such Licensee Stock indefinitely, the Institute would be in a potential conflict-of-interest situation were it to value inventors' shares at a price not determined by a public market.

In order to address the foregoing issues and other related concerns, the Institute has implemented the following policy with respect to Licensee Stock received from licensees:

- a. Where the Licensee Stock is traded on an established securities market and the shares held by the Institute are freely transferable, inventors will receive the cash value of their share of such stock (based on the closing market price per share on the date such Licensee Stock was received by the Institute) in accordance with the normal procedures for distributing licensee payments (i.e., 3-4 months following the end of the semi-annual period in which the stock, if freely transferable, is received).
- b. Where the Licensee Stock received by the Institute is not traded on an established securities market at the time of receipt or is otherwise not freely transferable, inventors will normally receive a cash payment of their share of such stock 3-4 months following the end of the semi-annual period in which the first of the following occurs:
 - (i) the Licensee Stock held by the Institute first becomes freely transferable on an established securities market as a result of an initial public offering or similar transaction by the licensee, at the closing market price per share on the date such Licensee Stock becomes freely transferable; or
 - (ii) an actual cash sale of all or a substantial portion of the Licensee Stock held by the Institute, at the net price per share received by the Institute; or
 - (iii) a sale for consideration other than cash, but not an exchange of stock, of all or a substantial portion of the Licensee Stock held by the Institute, at a per share price based upon the fair market value of such other consideration; or
 - (iv) an exchange of stock where the Institute receives, for all or a substantial portion of its Licensee Stock, stock which is freely transferable on an established securities market, at a per share price based upon the closing market price of the stock received on the date of such exchange.

9. PUBLICATION

Early drafts of manuscripts, posters, abstracts or other presentations (e.g., powerpoint presentations) shall be submitted to the Institute's OTD, and if relevant, to a sponsor, for review before publication, because such manuscripts frequently serve to identify patentable inventions and, further, such publication may have the effect of destroying patent rights in an invention described therein. However, the Institute will strive to avoid any interference with the prompt publication of research results, through the various academic channels, by inventors.

10. CONFLICTS OF INTEREST

It is the policy of the Institute not to interfere with the external activities of its staff, provided such activities are consistent with Institute policies do not conflict with their paramount obligations to the Institute. In this connection, staff members should be careful so as not to unwittingly create a conflict situation which is contrary to the best interests of the Institute. These concerns are addressed in the

Disclosure and Conflicts of Interest Policies of the Institute. In order for the Institute to manage conflicts of interest, Institute staff members shall disclose to the President of the Institute, or such other person or committee as the President may designate, existing relationships with outside organizations as well as contemplated or prospective arrangements with outside organizations, as required under the Disclosure and Conflicts of Interest Policies of the Institute. Any questions may be directed to the Office of the General Counsel.

11. EFFECTIVE DATE

This policy will become effective on July 1, 2010.

12. MODIFICATION/CANCELLATION

The Institute reserves the right to modify or cancel this Policy at any time in the future provided such modification or cancellation does not affect any rights accrued up to the date of such modification or cancellation.

13. VISITING RESEARCHERS AND SCIENTISTS

The Institute owns Intellectual Property created by visiting researchers and scientists as a result of their use of the Institute's facilities, equipment, confidential information or personnel. However, the Institute may make exceptions on a case-by-case basis consistent with this policy.

14. LABORATORY NOTEBOOKS AND RECORD KEEPING

Each scientist at the Institute is expected to keep and maintain laboratory notebooks. The notebooks and other records and data relating to research performed at Salk, are the property of the Institute and should not be removed at any time. When an employee leaves the Institute, the laboratory notebooks shall remain in the laboratory at the Institute.