

## Intellectual Property Policy

### ***Vector's Vision***

The Vector Institute will drive excellence and leadership in Canada's knowledge, creation, and use of artificial intelligence (AI) to foster economic growth and improve the lives of Canadians.

### ***Vector's Mission***

- Vector will lead Ontario's efforts to build and sustain AI-based innovation, growth, and productivity in Canada by focusing on the transformative potential of deep learning and machine learning.
- Vector, together with its AI partners in other parts of Canada, will work with Canadian industry and public institutions to ensure that they have the people, skills, and resources to be best in class at the use of artificial intelligence.
- Vector will support Canada's innovation clusters in artificial intelligence and focus on helping startups grow to become Canadian-based global leaders.
- Vector will attract the best global talent focused on research excellence; its researchers and academic partners will be part of a vibrant community of innovative problem-solvers, working across disciplines on both curiosity-driven and applied research.

*To this end:*

### ***Definition of Intellectual Property (IP)***

Intellectual Property (IP), as defined by the World Intellectual Property Organization, is a creation of the mind. IP includes inventions, literary and artistic works, designs and symbols, and names and images used in business.

Following widely observed definitions, IP created in whole or in part using Vector resources (including its premises and computing resources), through participating in Vector projects, or in the execution of Vector employment duties is defined to be Vector-created IP.

IP is often created by multiple people in concert. Vector's IP disclosure form will include a complete list of creators and the fractional credit these creators agree is attributable to each. In the event IP is created in part using Vector resources and also created by and/or at another organization(s) the IP is still Vector created and will be deemed to fall under Vector's IP Policy, or not, as provided for in a signed Affiliation Agreement with the other involved institutions.

Academic research has a long tradition of evaluating claims of novelty, credit worthy ideas, mechanisms, and implementations, primarily through a process of scientific review by a set of unconflicted academic peers. This is not the process used by IP law and should not be conflated with concepts of invention, inventor rights, or resolution of disputed claims that are used in business and law.

In this document we are concerned only with concepts used in IP law and business.

### ***Strategy and Principles***

IP law is used to protect investments made in order to develop IP. Operating businesses protect their product revenue by blocking other businesses from infringing on their IP rights and by extracting payment and penalties from infringing businesses; however, there are no simple, fast, inexpensive, predictable, unchallengeable tests for the validity of an IP claim or for its infringement. It generally takes a long time and a lot of money to test the validity and infringement of IP claims, and the outcomes cannot be assured.

As a result, businesses seeking IP investment protection do not rely on one or a small number of IP claims; they pursue a portfolio approach, continually investing in business-specific IP claim generation as a component of their business product development.

Accordingly, Vector will educate and advise its research community to follow best practices when seeking protection and commercializing IP.

- Vector's policy is to advance economic development in Canada, Ontario, and the Toronto-Waterloo corridor by facilitating effective IP invention, protection, and commercialization by its research community. Vector's policy emphasizes economic development through the creation of Canadian start-ups, co-led by the people with the most immediate technical skills and understanding of this new IP, its inventors.
- This policy is intended to help protect inventions developed by Vector Faculty Members, Faculty Affiliates, Distinguished Postdoctoral Fellows, Postgraduate Affiliates and student researchers (collectively, Vector researchers).
- Vector's Industry Sponsors, all either Canadian owned or operating significant AI R&D facilities in Canada, enter into agreements with Vector providing benefits of Sponsorship. Sponsorship benefits do not include rights and entitlements to Vector-created IP.
- Sponsors may, however, seek out additional agreements (often called sponsored research) with Vector and specific researchers. These additional agreements govern collaboration and commercialization of IP arising from specific future projects, as mutually agreed by all. Vector's policy is to negotiate additional agreements that favour Canadian economic development and Canadian institutions.
- Clarity in IP practices is paramount. Vector's IP practices and policies utilize strong language to offer its researchers and partners a strong platform for their rights and privileges in the exploitation of Vector-created IP. Vector will also provide education and resources on an ongoing basis to promote clarity and best practices with respect to Vector's IP practices and policies.

- Vector will help its researchers on the commercialization pathway through:
  - Education sessions delivered by internal and external experts covering topics from IP (e.g., protection, defense, strategy, and maximization), contracts, sponsored research agreements to topics such as how to find product market fit, building a team, and other relevant business-specific programming;
  - Introductions and exposure to appropriate commercialization resources that support entrepreneurs and startup development; and,
  - Facilitated sessions with successful startup founders and VCs that provide linkages to experienced entrepreneurial communities.
- Vector encourages and assists its researchers to use Vector-created IP to provide advantages for Canadian businesses who engage in Research & Development (R&D) and prosper in Canada.
- Vector will control Vector-created IP initially and provide a clear pathway to entrepreneur ownership. This will ensure rigour and effective processes are employed in the documentation, licensing, and management of Vector-created IP, providing clarity for Vector-created IP usage, licensing, and ownership.
- Vector and its researchers are affiliated with multiple institutions and universities that have varied IP and commercialization policies. As such, Vector's IP policy shall not inappropriately incent researchers to disadvantage their home academic institutions.
- Because the University of Toronto is the primary affiliated university with the most co-employed researchers, it is this policy's intention that a Vector researcher commercializing IP according Vector's policies receive the same proportion of commercialization proceeds as a researcher commercializing IP through the University of Toronto would receive under its Inventions Policy.

***Policy on Intellectual Property (IP)***

- The world's IP protection laws favour the first inventor to file for protection. Accordingly, the best protection for IP is achieved by prompt disclosure and registration. Vector researchers will cooperate in promptly disclosing and registering Vector-created IP as may be requested.
- Vector researchers will remain free to publish.
- Vector-created IP shall be initially owned by Vector to ensure rigour and effective process. Vector shall establish and control the exclusive right to register, commercialize, and use Vector-created IP.
- The benefits derived by exploitation of Vector-created IP will be achieved through licenses that may contain payments of royalties, equity, or other mechanisms as appropriate.
- When this policy grants entitlement to a decision or action to inventors, the decision cannot be made without agreement from a subset of inventors whose attributed creation credit forms a simple majority (>50%). In the event agreement cannot be reached all inventing parties will agree to binding arbitration.

- Vector researchers are entitled to a Preferred Access license to Vector-created IP in which they are majority originators and when the Vector-created IP license is used for the purpose of establishing a new startup company co-founded by said researcher(s).
- Preferred Access is an option to obtain a worldwide royalty free exclusive license. This license will be convertible to an irrevocable assignment (i.e., ownership) to the company once \$1,500,000 of investment has been raised or \$2,000,000 dollars of revenue has been recognized by reputable auditors.
- Before a license to Vector-created IP has been irrevocably assigned, Vector reserves the right to review business plans and milestones of startup companies at periodic intervals (e.g., annually), to ensure the company is contributing to the Canadian AI ecosystem .
- For 6 months from the date of disclosure, inventors of Vector-created IP will have an option to exercise a Preferred Access license to this IP. If the option period expires with the option to license unexercised or the inventors decline in writing to commercialize the Vector-created IP invented, Vector may seek potential licensors of the Vector-created IP for commercial purposes on a royalty-bearing or other financial arrangement basis (i.e., equity, upfront lump sum payment, or other).
- Companies that either suspend operations, lose eligibility, or fail to qualify for irrevocable assignment within 10 years, are deemed to be not contributing to the Canadian AI ecosystem and could, at Vector’s discretion, lose access to Vector-created IP.
- Start-up companies, co-founded by Vector researchers and having exercised preferred access license to Vector-created IP, shall provide Vector with two equity warrants<sup>1</sup>, the second of which is designed as an incentive for the startup to remain in Canada.
  - The first warrant entitles Vector to obtain, at zero price to Vector, 2.5% of the equity of the company. The number of shares obtained by this warrant’s exercise is determined at the time of irrevocable assignment. This first warrant shall be executed at the time of the irrevocable assignment.
  - The second warrant entitles Vector to obtain, also at zero price to Vector, an additional 2.5% of the equity of the company (where the number of shares obtained by the exercise of this warrant is also determined at the time of the irrevocable assignment). However, the second warrant cannot be executed while the startup company is a Canadian Controlled Private Company with annual revenues of less than \$50,000,000.
- Vector researchers are entitled to a non-exclusive royalty free license to use all Vector-created IP in and for their research.

### ***Policy on Commercialization***

- To make decisions relating to day-to-day commercialization activities, Vector’s CEO shall be assisted by a committee of Vector researchers, and the CEO shall also consult with and consider representations made by the researcher(s) who invented (i.e., were identified in the disclosure of) the Vector-created IP in question.

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<sup>1</sup> A warrant entitles the holder to buy the underlying stock at a predetermined price.

- Vector may, acting reasonably, impose other terms and conditions, and the terms will generally be Fair, Reasonable and Non-Discriminatory (FRAND).
- In order to encourage Vector researchers that are not interested in creating startup companies to engage in commercialization activities, when licensing Vector-created IP to other firms, net revenues (i.e., after costs) from licensing will be shared with the researchers who invented the Vector-created IP on a 60% [inventor(s)] /40% [Vector] or 75% [inventor(s)]/25% [Vector] basis, according to inventors' preference. The 60/40 split pertains to Vector leading and funding the patenting and licensing process and the 75/25 pertains to the inventor(s) leading and funding the patenting and licensing efforts.

#### ***Assistance to Researchers for Commercialization and Contracted Research***

- Vector shall provide its researchers with reasonable support required for the commercialization of Vector-created IP, the formation of startup companies, the conduct of contract research and contracting for other external activities of the researchers.

#### ***Policy on Contracted Research and External Activities***

- Vector encourages researchers to conduct research funded by the private sector and other partners as approved by the CEO; resources may be allocated from within Vector to assist Vector researchers to negotiate appropriate agreements. The form and substance of all such agreements shall be acceptable to the CEO in light of Vector's vision and mission.
- It is expected that this policy will prevail in any academic research interaction between Vector researchers and others, unless Vector has agreed to other provisions in an affiliation agreement.

#### ***Other***

- In order to effectively commercialize different types of Vector-created IP, the CEO may provide for different licensing terms and conditions for each type of IP created.
- This policy is subject to change.