

DRAFT

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

**DISTRIBUTION OF INCOME FROM INTELLECTUAL PROPERTY
PROCEEDS**

Number 07.03.03

Division Office of Technology Commercialization (OTC)

Date TBD

Purpose **I. INTRODUCTION**

Institutional policy concerning rights and equities in inventions made by University employees has been established by The Board of Trustees of The University of Alabama System. This policy is currently stated in Board Rule 509. In certain instances, delineated in Board Rule 509, assignment of ownership interests in an invention or discovery (hereafter the terms "invention" and "discovery" will be used interchangeably) must be made by the employee to the University (see 509. 2.c.). To ensure that the employee's effort in developing such an invention is recognized, the President (or designee) of the employee's campus is authorized to agree to pay the employee a percentage of the financial returns received by the University from such invention. In this connection, the Board Rule directs each campus President to adopt a "policy governing the percentage of royalties, fees, and other financial returns on an invention paid to the inventor" (509.2.f). This policy is intended to carry out that directive.

Definitions:

For the purposes of this policy, UAH Employee shall mean faculty, administrators, office and technical staff, students, and others whose primary work or education affiliation is with UAH, whether compensated by UAH or not.

"Intellectual Property" shall be deemed to refer to patentable materials, copyrighted materials, trademarks, software, biological material, know-how, and/or trade secrets, whether or not formal protection is sought. It does not include UAH faculty's and student's scholarly works nor does it cover material developed for distance learning by UAH's employees.

“Gross Revenue” shall mean (1) proceeds from the sale, lease, transfer, or other conveyance of an Intellectual Property by UAH, and (2) license issue fees, option fees, running royalties, and equity or other ownership interests paid to the UAH by a licensee of an Intellectual Property, except that such equity or other ownership interests, which may be negotiated on a case-by-case basis, or portion thereof, shall not be considered “Gross Revenue” unless and until the equity or other ownership interests, or portion thereof, are sold by UAH at UAH’s discretion.

Policy

II. ALLOCATION OF ROYALTY INCOME

Board Rule 509 stipulates that certain inventions or discoveries made by a University employee must be assigned to the University (see 509.2.d.). As recognition for such an assignment to UAH, UAH may allocate a portion of the income received by UAH from commercialization of such Intellectual Property by sharing such proceeds with UAH Employee who created the Intellectual Property.

Division of income shall be handled as follows:

- (i) Gross Revenue, fees, and other financial returns received by the University from such inventions shall first be reduced by 15% for administrative costs plus additional expenses of patenting, protecting patent rights, and marketing the inventions. This reduction is expressly required by Board Rule 509 (see 509.2.f.); and
- (ii) Net income remaining shall then ordinarily be divided in accordance with the percentages stated below. If special equities exist due to unusual circumstances, a variation of this allocation scheme may be utilized at UAH’s discretion.

Net Income Remaining	UAH Employee	Employee’s Unit	Technology Transfer Fund
Above \$0 - to \$5,000	100%	0%	0%
Above \$5,000 – to \$50,000	60%	20%	20%
Over \$50,000	40%	40%	20%

Example: If the Net income remaining to be distributed to the UAH Employee(s) is \$60,000, the UAH Employee(s) share will be as follows:

100% of the first \$5,000	= \$5,000
60% of the amounts between \$5,000 to \$50,000	= \$27,000
40% of the amount over \$50,000	= <u>\$4,000</u>
Total received by UAH Employee(s)	= \$36,000

The Employee's Unit shall be the primary organization (i.e., college, center, or administrative unit) to which he or she is assigned and/or a student at the time the invention was made. Where appropriate, a portion of the income payable to any UAH Employee's primary organization may be shared with the department.

Technology Transfer Fund is managed by the Office for the Vice President of Research and Economic Development for further patent and copyright development, as well as paying for any unreimbursed out-of-pocket patent and copyright expenses incurred by UAH.

In the event that two or more University Employees combine in the making or discovery of an invention, lacking an agreement between the employees, it shall be irrefutably presumed that such employees were equal contributors to the making or discovery of such invention. Therefore, all such UAH Employees and their respective units shall divide accumulated net income pro rata and in equal shares, share and share alike. After such equal division between UAH Employees and their respective units, UAH Employee, his or her unit or organization and the research fund shall divide that pro rata share according to the schedule set out herein.

A UAH Employee who leaves the employment or is no longer a student of the University shall continue to be entitled to his or her personal share of the proceeds. In the case of deceased UAH Employee, the estate of the UAH Employee shall be entitled to the UAH Employee share of the proceeds. It shall be the responsibility of the UAH Employee to provide UAH's patent administrator with their forwarding address and contact information on a timely basis. If UAH is unable to contact the UAH Employee for lack of forwarding address or contact information, the proceeds due the UAH Employee shall be held in escrow for no more than five years. After which such UAH Employee proceeds shall be allocated pro rata among the UAH Employee unit, and research fund at UAH, as per the table above.

Procedures

All forms and instructions related to the patenting of UAH intellectual property are located on the Office of Technology Commercialization website under the link: For UAH Inventors (<http://www.uah.edu/otc/for-uah-inventors/forms>). For related information, click on the links below:

UAH Patent Policy

http://www.uah.edu/images/research/otc/2014_Patent_Policy3.pdf

UAH Copyright Policy

http://www.uah.edu/images/research/otc/2014_Copyright_Policy.pdf

Review

This policy will be reviewed every four (4) years or as needed or when there is a change in laws.

Approval

Chief University Counsel

Date

Provost and Vice President for Academic Affairs

Date

Senior Vice President for Administration and Finance

Date

Vice President for Advancement

Date

Vice President for Diversity

Date

Vice President for Research and Economic Development

Date

APPROVED:

President, The University of Alabama in Huntsville

Date

