

SUNY DOWNSTATE HEALTH SCIENCES UNIVERSITY

POLICY AND PROCEDURE

Subject: Downstate Royalty Distribution Policy

Policy No: RFDHSU-02

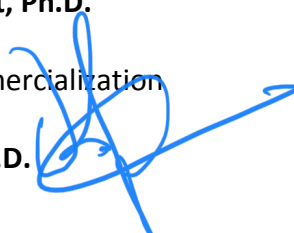
Department: Senior Vice President for Research

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Reviewed by: David Schoenhaut, Ph.D.
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I. Purpose.

This Downstate Royalty Distribution Policy (“**Policy**”) sets forth specific Downstate regulations and procedures which are discretionary to each SUNY campus under the SUNY Patents and Inventions Policy- (hereinafter the “**SUNY Patent Policy**”) and related to royalty income. This Policy addresses: 1) SUNY Downstate’s procedure for the use and distribution of that portion of royalty revenue designated by the SUNY Patent Policy or the Prior SUNY Patent Policy to be retained by the SUNY campus (i.e. the campus share); 2) royalty distribution differences between patentable versus non-patentable intellectual property; and 3) sharing of royalty revenue in the case where two or more SUNY individuals are co-creators or co-inventors of the subject intellectual property. This Policy is in accord with the SUNY Patent Policy, which specifies that all net proceeds realized from the commercialization of SUNY intellectual property (other than the creators’ share) must be used for the support of SUNY research programs.

II. Background.

The SUNY Patent Policy sets forth, *inter alia*, the manner of allocation of intellectual property commercialization revenue between SUNY intellectual property creators and their respective SUNY campus. Most commonly, this revenue is provided under the terms of a License Agreement between RF-SUNY and an outside party (“Licensee”). The revenue is paid to RF-

SUNY by the Licensee in exchange for the Licensee’s rights to commercially exploit RF-SUNY’s intellectual property rights embodied in its patents, technical know-how, proprietary materials,

software, data, or other forms of intellectual property. Firstly, the SUNY Patent Policy does not specify just how the SUNY campus' share of net revenue is to be further distributed, apart from the general requirement that it be used for the support of SUNY research programs. The actual usage of the campus share of revenue is therefore at the discretion of the campus, (as provided herein). Secondly, the SUNY Patent Policy allows each SUNY campus to establish a local policy on distribution of royalty income derived from non-patentable computer software and other non-patentable intellectual property that may differ from the royalty distribution scheme for Patentable Inventions (as defined in the SUNY Patent Policy). Lastly, each campus may address how the creator shares of royalty revenue are distributed in cases where there are multiple campus creators of the intellectual property.

III. Definitions and Terms

SUNY Patent Policy means the current SUNY Patents and Inventions Policy that became effective on November 23, 2016 (8 NYCRR Part 335.28). Distribution of licensing revenue derived from Intellectual Property first disclosed to RF-SUNY on or after November 23, 2016 is governed by this policy.

Prior SUNY Patent Policy means the previous SUNY Patents and Inventions policy that became effective on September 19, 1979 and was effective until superseded by the SUNY Patent Policy. Distribution of licensing revenue derived from Intellectual Property properly disclosed and assigned to RF-SUNY prior to November 23, 2016 is governed by this policy.

Creator Share means the personal share of licensing revenue -payable to intellectual property creators under the SUNY Patent Policy or the Prior SUNY Patent Policy.

Campus Share means the revenue share -to be used at the discretion of the Downstate Campus to support SUNY research as provided in the SUNY Patent Policy or the Prior SUNY Patent Policy (which is under the control of the Senior Vice President for Research as provided under this Policy.)

Campus Research Share means the portion of the Campus Share allocated under this Policy which remains directly within the purview of the Senior Vice President for Research to be used to support SUNY research.

Department Research Share means the portion of the Campus Share allocated under this Policy to be used for research at the discretion of the Chair(s) of the academic or clinical department(s) to which creator(s) had their primary appointment(s) at the time of creator's first disclosure of the intellectual property to RF-SUNY. To assure appropriate use of these funds, all charges requested by the department will require signature approval of the Senior Vice President for Research or their designee.

Program Research Share means the portion of the Campus Share allocated under this Policy to support certain research programs in which the licensed intellectual property was created and

where the licensed intellectual property comprises non-patentable software or other non-patentable inventions.

For distribution of revenue under a License Agreement that comprises intellectual property governed by both the SUNY Patent Policy and the Prior SUNY Patent Policy (a “mixed case” scenario), the portion of revenue distributed to the creator follows the Prior SUNY Patent Policy^o.

IV. Patentable intellectual property

With respect to Patentable Inventions, the SUNY Patent Policy’s revenue distribution terms provide that 45% of the first \$100,000.00 of Net Royalty (as defined in the SUNY Patent Policy) shall be distributed to the creator(s) of the intellectual property. For the excess of \$100,000 (cumulatively, per technology license) of Net Royalty the creator(s) shall receive 40% of the Net Royalty. The remainder constitutes the Campus Share. Under the Prior SUNY Patent Policy, the creator(s) share for all inventions is 40% of the gross revenue paid by Licensee, with 60% retained by the campus. [See Distribution Table in Sec. VI]

V. Non-patentable Software and Other Non-patentable Inventions.

Pursuant to Section (e)(2) of the SUNY Patent Policy, Downstate hereby adopts a local policy for distribution of Net Royalty derived from licensing Intellectual Property that is not a Patentable Invention (including Computer Software that is not a Patentable Invention). Unless an alternative distribution is applicable under Sections (e)(2)(ii), (e)(2)(iii) or (e)(2)(iv) of the SUNY Patent Policy, Downstate shall allocate these Net Royalties according to Section (e)(2)(i) of the SUNY Patent Policy as follows: 45% of the first \$100,000 of Net Royalty and 40% of the Net Royalty greater than \$100,000 shall be directed to the campus program within which the intellectual property was created. The remaining Net Royalties shall accrue to the Campus Research account to be used for other campus research programs managed by the Senior Vice-President for Research.

Under the Prior SUNY Patent Policy, gross revenues derived from licensing all inventions (whether or not patentable) were allocated to provide 40% to the creator(s) and 60% to be retained by the campus.

In the event that royalty revenue is based on a license or other agreement which conveys both Patentable Inventions and non-patentable intellectual property, and if the agreement does not separately distinguish the revenue stream due RF-SUNY between the two, then the total royalty shall be distributed as for Patentable Inventions. [Refer to the Distribution Table below for details.]

^oResolution of the SUNY Innovation Policy Board, issued June 12, 2017.

VI. Distribution Tables

SUNY Patent Policy	Cumulative Net Royalty from <i>Patentable Inventions</i> per License Agreement	Creator Share	Campus Share	
			Department Research Share	Campus Research Share
	<= \$100,000	45%	10%	45%
	>\$100,000 to \$1M	40%	10%	50%
	> \$1M to \$2M	40%	6%	54%
	> \$2M	40%	1%	59%
	Cumulative Net Royalty from <i>Non-Patentable Inventions</i> per License Agreement		Program Research Share	Campus Research Share
	<= \$100,000		45%	55%
	> \$100,000		40%	60%
Prior SUNY Patent Policy	Cumulative Gross Proceeds per License Agreement (<i>all inventions</i>)	Creator Share	Campus Share	
			Department Research Share	Campus Research Share
	< = \$1M	40%	10%	50%
	> \$1M to \$2M	40%	6%	54%
	> \$2M	40%	1%	59%

VII. Multiple Creators of Intellectual Property

Where there are multiple creators named in an intellectual property disclosure, the creators' share of revenue attributable to the disclosure will be distributed equally among the creators, unless Downstate's Technology Transfer office is provided with written evidence, reasonably acceptable to Downstate's Operations Manager or designee, of an alternative distribution scheme approved by all creators. Upon Downstate's anticipation of revenue receipts under an intellectual property agreement between RF-SUNY and a third party (or upon earlier request by the creators), Downstate's Technology Transfer office shall draft a Creators' Revenue Sharing Agreement to be executed by all creators.

VIII. Conflict

If there should be any conflict between this Downstate Royalty Distribution Policy and either the SUNY Patent Policy or the Prior SUNY Patent Policy (whichever is applicable), then the applicable SUNY-wide patent policy (whether the SUNY Patent Policy or the Prior SUNY Patent Policy) shall take precedence and will control.