

## Distribution of Royalty Income Policy

<b>Effective Date:</b>	February 1, 2017
<b>Supersedes:</b>	N/A
<b>Policy Review Date:</b>	To be reviewed every 1 year from effective date
<b>Issuing Authority:</b>	Research Foundation President
<b>Responsible Party:</b>	Vice President of Industry and External Affairs
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### Reason for Policy

On November 23, 2016, The State University of New York ("SUNY") published its [Patents and Inventions Policy](#) ("Policy") superseding SUNY's [former Patents and Invention Policy](#) ("Former Policy") that had been in place at SUNY for more than 30 years. Both policies require that SUNY share Royalty with Inventor(s) and/or Creator(s). However, different Royalty disbursement rates will apply depending on the date the Intellectual Property is disclosed and the amount of Royalty that is received. This Policy for the Distribution of Royalty Income establishes the framework that The Research Foundation for The State University of New York ("RF") will follow to ensure compliance with both the Policy and the Former Policy.

### Statement of Policy

Any Royalty resulting from the licensing of Intellectual Property ("IP") that is assigned to RF on behalf of SUNY shall be shared with the Inventor(s) or Creator(s), consistent with the policy of SUNY in effect at the time of the disclosure of the IP to the RF. Specifically, disclosures received before November 23, 2016 are subject to the Former Policy, and disclosures received on or after November 23, 2016 are subject to the Policy.

RF Operations Managers and their delegates<sup>1</sup> are entrusted with delegated authority to process and/or approve Royalty distributions to Creators and Inventors. Pursuant to Section (e) of the Policy, campuses can deduct reasonable out-of-pocket expenses incurred but not reimbursed by licensees for the evaluation, marketing, development, protection, maintenance, and enforcement of Intellectual Property from Royalty prior to making distributions to Inventors or Creators. In calculating Net Royalty, Operations Managers are required to exercise due diligence and fair business judgment, balancing the interest of the campus and the Inventor(s) or Creator(s) in every case. Any ambiguity as to whether an expense is allowable for deduction shall be submitted to the RF President who may, in his or her sole discretion, refer the matter to SUNY's Innovation Policy Board for resolution.

Section (e)(2) of the Policy provides variable distribution rates for Royalty generated from computer software and Intellectual Property other than Patentable Inventions. Operations Managers must ensure that any campus policy that provides a distribution rate for Royalty generated from computer software and Intellectual Property other than Patentable Inventions is compliant with Section (e)(2) of the Policy.

Royalty disbursements will be made only to those individuals that are identified as an Inventor or Creator in the IP disclosure form on record in the technology transfer office ("TTO") on the date the income is received by RF. The amount of the Royalty disbursement will be determined from the allocation specified in the disclosure, unless the Inventor(s) or Creator(s) execute a royalty sharing agreement that is filed with the TTO to supersede the allocation rate that is specified in the disclosure.

The steps required to disburse Net Royalty payments to Creators or Inventors are included in the Procedure for the Distribution of Royalty Income that accompanies this policy.

<sup>1</sup>A reference to an RF Operations Manager in this Policy for the Distribution of Royalty Income shall also include any individual with delegated authority to act on behalf of an RF Operations Manager.

The following table illustrates the applicable distribution rates for Royalty resulting from disclosures received on or after November 23, 2016 as prescribed by the Policy:

**Disclosure Received On or After November 23, 2016:**

Type of Intellectual Property	Royalty Distribution
Patentable Inventions (Section (e)(1) of the Policy)	45 percent of the first \$100,000 of Net Royalty received to the Inventor(s); 40 percent of Net Royalty thereafter to Inventor(s).
Computer Software and Intellectual Property other than Patentable Inventions (Section (e)(2) of the Policy)	1. 45 percent of the first \$100,000 of Net Royalty received to the Creator(s) and 40 percent of Net Royalty thereafter to Creator(s); or 2. If a campus policy exists requiring reinvestment in support of campus research programs, no less than 45 percent of the first \$100,000 received and 40 percent of income thereafter will be paid to the program within which the IP was Created.

To apply the foregoing rates effectively, Operations Managers must first calculate the Net Royalty subject to disbursement in accordance with the following schedule and using the specified Oracle Expenditure Types. Only expenses recorded using the Oracle Expenditure Types specified below are allowable for deduction.

Category	Oracle Expenditure Type	Allowable Deduction	Unallowable Deduction	Notes
Evaluation	OTR IP TTO Evaluation	Expenses incurred to determine the marketability, patentability or freedom to operate of the subject Intellectual Property. This includes third party technology and market assessments, customer discovery, patentability searches, and patentability opinions.	Costs related to landscape assessments not specifically tied to Intellectual Property that has been disclosed.	
Marketing	OTR IP TTO Marketing	Expenses to attract a commercialization partner for the subject Intellectual Property. This includes the preparation of marketing materials and travel that is directly related to marketing the subject Intellectual Property.	Costs related to attending professional events (e.g., AUTM Annual Meeting, LES Annual Meeting) in which the primary purpose of attending the event is other than marketing specific Intellectual Property to potential partners.	
Development	OTR IP TTO Development	Expenses to increase the Technology Readiness Level of the subject Intellectual Property. This includes prototyping projects, feasibility studies, materials testing, clinical studies, and any material or equipment procurement required for the same.	Costs derived from extramural funding received to support technology development (e.g., NIH REACH awards).	
Protection	OTR IP TTO Protection	Expenses to secure legal protection of the subject Intellectual Property. This		

		includes foreign and domestic patent prosecution fees, attorney fees, translation fees, and registration fees for copyrights and trademarks.		
Maintenance	OTR IP TTO Maintenance	Expenses to maintain legal rights in subject Intellectual Property. This includes foreign and domestic maintenance and annuity fees for patents, copyrights and trademarks.		
Enforcement	OTR IP TTO Enforcement	Expenses to assert or defend a patent, trademark, or copyright. This includes litigation, mediation, alternative dispute resolution, invalidity proceedings, pursuit of freedom to operate; inter parties review and post grant review proceedings before the U.S. Patent Trial and Appeal Board; and ex-parte reexaminations and covered business method reviews.		

The following table illustrates the applicable distribution rates for Royalty received in connection with disclosures received prior to November 23, 2016 as prescribed by the former Policy:

**Disclosure Received Prior to November 23, 2016:**

Type of Intellectual Property	Royalty Distribution
Patentable	40 percent of the gross income received is distributed to the Inventor(s) named on the invention disclosure form.
Non-patentable	Pursuant to local campus policies.

**Responsibilities**

The following table outlines the responsibilities for compliance with this policy.

Responsible Party	Responsibility
RF Operations Managers	Processing and approving Royalty distributions to Creators and Inventors at campus level pursuant to the applicable SUNY policy or campus policy in the case of computer software and Intellectual Property other than Patentable Inventions.
Technology Transfer Offices	Distributing payments to Creator(s) of IP developed at decentralized campuses.
CO Innovation & Partnerships	Distributing payments to Creator(s) of IP developed at centralized campuses and oversight of this policy and related procedures and guidance.
CO Finance	Ensuring that the appropriate accounting principles are utilized to ensure compliance with the Policy.
CO Information Technology	Ensuring usable and reliable dashboards are created in the RF Report Center to enable compliance with the Policy.
RF President	Resolving ambiguities related to expense deductions which may include referring matters to SUNY's Innovation Policy Board.

## Definitions

*Created* – Having conceived, authored, reduced to practice, designed, developed, or otherwise having contributed to the making of Intellectual Property.

*Creator* – One who has Created Intellectual Property, in whole or in part.

*Intellectual Property* – Patentable Inventions, tangible research materials, computer software, and any unique or novel innovation in the technical arts or any new and useful improvements thereof, including methods or processes for creating an object or result (a way of doing or making things), machines, devices, products of manufacture, product designs, or composition, mask works or layout designs for printed circuit boards or integrated circuits, compositions of matter, materials, any variety of plant, and any know-how essential to the practice or enablement of such innovations and improvements, whether or not patentable.

*Inventor* – One who contributes to the conception of a Patentable Invention under the patent laws of the United States or other relevant jurisdiction.

*Net Royalty* – Royalty less reasonable out-of-pocket expenses incurred by SUNY and not reimbursed by licensees for the evaluation, marketing, development, protection, maintenance, and enforcement of Intellectual Property.

*Patentable Invention* – Any art or process (way of doing or making things), machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant which is or may be patentable under the patent laws of the United States or other relevant jurisdiction, and the patent applications or patents that embody them.

*Royalty* – Cash, equity, or other value received by SUNY as consideration for use of rights to SUNY Intellectual Property.

*Technology Readiness Level* – A method of estimating technology maturity from basic technology research to product launch or operations, which typically utilizing a numerical scale of one to nine.

## Related Information

[SUNY Patents and Inventions Policy](#)

[RF Intellectual Property Policy](#)

[RF Procedure for the Distribution of Royalty Income](#)

## Forms

None

## Change History

Date	Summary of Change
June 6, 2022	Policy reviewed and Policy Owner updated.
July 6, 2020	Updated Policy Owner
February 1, 2017	New document.

## Feedback

Was this document clear and easy to follow? Please send your feedback to [webfeedback@rfsuny.org](mailto:webfeedback@rfsuny.org).