

## Operation of the UAH Patent Policy

With the growth of the University's research activities over time and the recent expansion of what is considered to be "patentable," questions are arising more frequently about the University's patent policy. The UAH Patent Policy actually consists of three separate policies. The first of these is Board Rule 509, which applies to all three campuses of the University of Alabama System. The second policy is a UAH, campus-specific policy that contains procedures implementing Board Rule 509. The first two policies are found at Appendix G to the UAH Faculty Handbook. The third policy relates to the distribution of proceeds received from the commercialization of a UAH patent. This discussion attempts to explain how these three policies work together.

A first issue relates to when a new idea, discovery, or technology must be disclosed or reported to the University. That obligation is addressed in section 2(c) of Board Rule 509, which provides as follows:

All faculty members and University employees, as a condition of employment, both while employed by the University and thereafter, and all graduate students performing research, shall report to the Patent Administrator of their respective campus any invention or discovery which they have conceived or developed or which has been conceived or developed under their direction during their University employment or enrollment.

The disclosure requirement is very broad. It applies to all faculty members and University employees, during their employment with the University and thereafter. It also applies to graduate students performing research. The coverage of the disclosure requirement extends to "any invention or discovery" that has been "conceived or developed" under the direction of a faculty member, University employee, or graduate student performing research. There is no geographic, subject matter, or temporal limitation on the disclosure requirement contained in Board Rule 509. It does not matter if the invention or discovery was made on or off campus. It does not matter what time of day or night the invention or discovery was made. It does not matter whether the invention or discovery relates in any way to the inventor's job classification, field of study, or area of professional expertise. The disclosure obligation even extends after UAH employment has ended, if the invention or discovery was conceived during the period of employment. In essence, if an invention or discovery has been made by a UAH affiliated person, it must be disclosed and reported to the UAH Patent Administrator.

The requirements of Board Rule 509 are not new, having been in place in their present form, applicable to all three campuses, since 1982. However, one thing that has changed, certainly since 1982, is United States patent law. In earlier times, "inventions" were thought of mainly as tangible devices or gadgets. Earlier patent law required that an invention be "reduced to practice" before it could be patented. In practical terms, this was usually thought of as requiring development of a working model. This earlier way of thinking about patent law began to undergo a sea change in 1998 when the *State Street Bank* case was decided. *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (9 Fed.Cir.1998). The appellate

court in that case for the first time allowed a patent for a computer program, and it also inaugurated the allowance of “business method” patents. Now, any computer program or any novel way of conducting a business may constitute an “invention” within the meaning of Board Rule 509 and must be reported to the Patent Administrator. An example of a “business method” patent is the “drive through window” used by a fast food restaurant. If that idea had first been conceived and developed after the decision of the *State Street Bank* case, it may well have been patentable.

Finally, as Board Rule 509 states, the individual to whom inventions are to be disclosed or reported is the Patent Administrator. At UAH, this is presently Dr. William E. Gathings, in the Office of Technology Commercialization. Dr. Gathings has developed forms to simplify the reporting and disclosure process. As a general rule, inventions should be disclosed prior to the publication of the idea.

After an invention or discovery has been disclosed, the decision has to be made whether it must be assigned to the University. Board Rule 509(2)(d) addresses this question:

Any such invention or discovery (1) which is the result of research carried on by or under the direction of any employee of the University and/or having the costs thereof paid from University funds or from funds under the control of or administered by the University, or (2) which is made by an employee of the University and which relates to the inventor's field of work at the University, or (3) which has been developed in whole or in part by the utilization of resources or facilities belonging to the University, shall be assigned to the University for the appropriate University campus.

The decision concerning assignment will be made by the President’s designee, the Patent Administrator. Once assignment is made to the University, the University then begins the process of patenting the invention or discovery and developing a plan to commercialize the technology. Occasionally, an invention will be assigned to the University and the University will thereafter decide that it does not want to pursue patent protection for the invention or discovery. In such an instance, the technology will be re-assigned back to the inventor. *See* Board Rule 509(2)(d).

If proceeds are derived from the successful commercial exploitation of the invention or discovery, the allocation of those proceeds will be determined in accordance with Board Rule 509 and UAH campus policy. The first proceeds from successful commercialization will be applied to reimbursement of patenting and marketing expenses, which are often significant. The University also receives 15% of the proceeds for general administrative expenses. The balance of the proceeds is then divided between the University and the inventor. The University’s policy for the division of proceeds with its employees is exceedingly generous for the employee when compared with the formulae used by other institutions. Under the current version of this policy, 70% of the first \$50,000 in net income is given to the employee. Thirty-five to forty percent (35-40%) of the remainder may be allocated to the employee depending on the total amount of

revenue received. This could produce a very significant return to the University employee who made the invention or discovery when commercialization efforts are successful.

The University's patent policy is designed to serve the public interest by obtaining the greatest public benefit and usefulness from the products of the University's research and inventiveness. The policy is also designed to encourage prompt reporting and an equitable distribution of any royalties or other financial returns. Questions concerning the University's patent policy may be addressed to the Office of Counsel.