

DISTRIBUTION OF ROYALTY GUIDELINES FOR INTELLECTUAL PROPERTY ROYALTIES

1.0 Definitions

1.1 “Gross royalty” is defined as payments that may be received by the SDSU Research Foundation in consideration of granting rights to intellectual property owned by the SDSU Research Foundation under the terms of Patent or Copyright Agreements with SDSU Inventor(s)/Author(s). These may include, but are not limited to, up front payments, option or license issue fees, fixed payments (annual minimum royalties), running royalties (percentage of product sales), termination payments and stock or other equity instruments. Such payments are found in various combinations in particular agreements, depending on the license that is negotiated.

1.2 “Net royalty” is defined as gross royalty, derived from a particular intellectual property product, less actual costs for legal, patent, copyright, and licensing related fees and expenses, compensation to sponsors and consultants pursuant to prior agreements, reimbursement of state funded incremental costs and other expenses incurred during the intellectual property and commercialization process. Legal costs withheld from royalty are inclusive of both the usual and customary costs of filings as well as the cost of any litigation to protect intellectual property that may arise as described in Section 3.1.3., below.

1.3 Payments for the conduct of research or development associated with such works are not considered royalties, since such payments are for the direct and indirect costs of the research.

2.0 Distribution of Gross Royalties

Consistent with the SDSU Intellectual Property Policies, gross royalties that accrue from licensed or otherwise commercialized products shall be divided in accordance with the following formulation:

2.1 First, the University, the College and the SDSU Research Foundation shall be compensated pro-rata for their “out of pocket” expenses incurred in connection with the protection or licensing of the intellectual property. As a particular property generates royalty revenues, the direct costs associated with its protection and commercialization will be reimbursed from the gross royalties of that property.

2.1.1 The Technology Transfer Office was established jointly by the Division of Academic Affairs, the Office of Graduate and Research Affairs, and the SDSU Research Foundation to provide expertise and a source of funds to advance the costs of intellectual property development, protecting and preserving intellectual property rights, maintaining patents and copyrights, the licensing of intellectual property rights, and such other costs, taxes or reimbursements as may be necessary. As of the June 2022 revision to

these Guidelines, the Technology Transfer Office is currently funded and managed jointly by the Division of Research and Innovation and the SDSU Research Foundation.

2.2. Next, if applicable, the sponsor of the research that led to the development of the Intellectual property shall be compensated, pursuant to the terms of the grant or contract between the sponsor and the SDSU Research Foundation.

2.3 Next, in accordance with the SDSU Intellectual Property Policies, the State shall be compensated for its part of the total institutional costs associated with the support of the invention or copyrighted work.

2.3.1 Total costs to be recovered by the State are based on the Inventor(s)/Author(s) Declaration of Institutional Support, the determination of the University Patents and Copyrights Committee, and the approval of the Vice President for Business and Financial Affairs.

2.3.2 Consistent with current University practice, these funds shall be returned directly to the unit of the University from which state funds were expended, e.g., the Inventor(s)/Author(s) College and/or department.

2.3.3 When copyrighted (authored) works may not generate sufficient royalties to offset the full institutional costs of producing these works, this would result in little or no net royalty revenues being available for distribution to the author(s) of the work. In such cases, in order to provide some incentive to the author(s) and to compensate them for the creation of these copyrighted works, the author(s) will receive 33% of the gross royalty revenue from the beginning of royalty revenue income. Once the incremental institutional costs have been fully recovered, revenues will be distributed as described in 4.0 below.

2.4 Then, the remainder of said royalties shall be designated as “net royalties” and distributed in accordance with Section 3.0.

3.0 Distribution of Net Royalties

3.1 Unless otherwise stipulated in the Intellectual Property Agreement entered into and between the Inventor(s)/Author(s) and the SDSU Research Foundation, the SDSU Research Foundation, in consideration of the assignment of intellectual property rights to the SDSU Research Foundation on behalf of the University, will distribute to the named Inventor(s)/Author(s) or the Inventor(s)/Author(s) heirs, successors or assignees, 50% of the cumulative net royalties received by the SDSU Research Foundation. (“Inventor(s)/Author(s) Royalties”)

3.1.1 When there are two or more Inventor(s)/Author(s), each Inventor(s)/Author(s) shall share equally in the Inventor(s)/Author(s) share of the net royalties, unless all Inventor(s)/Author(s) have previously agreed in writing to a different distribution of the Inventor(s)/Author(s) share.

3.1.2 In some circumstances, a research sponsor or other party may pay an up-front fee beyond direct and indirect research costs to secure rights associated with intellectual property that may result from a research project before the research work is performed and prior to the actual creation of any such intellectual property (an “Innovation Fee”). If intellectual property results from the performance of such a sponsored research project, the innovation fee shall be treated as gross royalties.

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3.1.2(a) However, if no intellectual property has resulted from the performance of such a sponsored research project by its conclusion, the Innovation Fee shall be distributed 50% to a budget under the control of the Principal Investigator(s) for future projects in the Principal Investigator(s)' Lab, 35% to the Division of Research and Innovation, and 15% to the SDSU Research Foundation.

3.1.3 Distribution of the Inventor(s)/Author(s) share shall be made at least once annually from the amount of net royalties accumulated during the preceding calendar year. (See, however, paragraph 5.3)

3.1.4 In the event of any litigation or other action to protect intellectual property rights, the SDSU Research Foundation may withhold distribution of net royalties until the matter is resolved.

3.2 The share of net royalties to be administered by the SDSU Research Foundation shall be the remaining 50% of the net royalties received by the SDSU Research Foundation ("Institutional Royalties") unless otherwise stipulated in the Intellectual Property Agreement entered into and between the Inventor(s)/Author(s) and the SDSU Research Foundation, as approved by the Vice President for Research and Innovation.

4.0 Distribution of the SDSU Research Foundation Administered Share of Net Royalties (or "Institutional Royalties")

The Institutional Royalties shall be allocated in the following manner unless otherwise stipulated in the Intellectual Property Agreement as approved by the Vice President for Research and Innovation:

4.1 The College(s) in which the Inventor(s)/Author(s) hold an academic appointment shall be allocated 40% of the Institutional Royalties.

4.1.1 The Inventor(s)/Author(s) and the College(s) may divide their respective shares of net royalties in accordance with a previously agreed upon alternative distribution formula which shall be stipulated in the Intellectual Property Agreement.

4.2 The Division of Research and Innovation shall be allocated 30% of the Institutional Royalties.*

4.4. The SDSU Research Foundation shall be allocated 30% of the Institutional Royalties.*

- 4.5 In accordance with Section 9 of the SDSU Patent Policy, the allocation of net royalties (distributed to the College, Division of Research and Innovation and the SDSU Research Foundation as identified in Sections 4.2 – 4.4 above) shall be used for support of research and scholarly activities at San Diego State University and to provide additional non-state funds for the support of the growing demands for intellectual property development.

5.0 Administration of Royalty-Related Accounts

- 5.1 The SDSU Research Foundation shall be responsible for the establishment and fiscal administration of separate accounts designated to receive Intellectual Property related funds allocated in accordance with Sections 4.1, 4.2, and 4.3., above.
- 5.2 These accounts will be subject to the SDSU Research Foundation's standard campus programs administrative fee of 6% of disbursements.
- 5.3 The Inventor(s)/Author(s) annual disbursement will not be subject to administrative fees unless the Inventor(s)/Author(s) elects to place some share of these royalties in accounts of the SDSU Research Foundation for future disbursements.

*Based on annual contribution to the operating costs of the Technology Transfer Office.