

**THE UNIVERSITY OF ALABAMA
POLICY AND PROCEDURES
for
FACULTY AND STAFF
PARTICIPATION IN COMPANIES
COMMERCIALIZING UNIVERSITY TECHNOLOGY**

I. INTRODUCTION

Under The University of Alabama's (hereinafter "University") Patent Policy any invention or discovery shall be assigned to the University by the inventor which:

- is the result of research carried out, 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
- is made by an employee of the University and which is related to the inventor's academic discipline or field of work at the University; or
- has been developed in whole or in part by the utilization of resources or facilities belonging to the University.

II. APPLICABILITY

This policy applies to all faculty, staff and student employees, who are inventors of intellectual property owned by the University and who desire to hold an ownership interest in a firm, corporation, or other association to which the University may have assigned, licensed, transferred or sold the University's interests in discoveries or inventions made or created by that employee or in pending patents or in patents issued to the University based on the research of that employee.

III. DEFINITIONS

- A. Conflict of Interest Committee (hereinafter "CIC").** The Conflict of Interest Committee is the University committee responsible for assisting faculty and other University employees in identifying, managing, and eliminating financial conflicts of interest and conflicts of commitment and overseeing that objectivity in research is maintained at the University. In particular, the CIC is responsible for review of financial disclosure forms filed by faculty and other University employees and in facilitating the development of conflict of interest management plans, especially for faculty and staff participating in technology commercialization companies.
- B. Technology Commercialization Company (hereinafter "Company").** A Technology Commercialization Company is a private commercial entity that is owned in whole or in part by a University employee and that has as one of its the development and commercialization of University-owned technology.

- C. Technology Transfer Oversight Committee (hereinafter “TTOC”).** The Technology Transfer Oversight Committee is the University body responsible for the approval and oversight of Technology Commercialization Companies. The TTOC is composed of the following representatives: The Vice President for Research or his/her designee; a representative from the University Office of Counsel; the Director of The University’s Office for Technology Transfer; and other members as invited for purposes of consultation.
- D. Financial Returns.** Financial returns from an invention shall include all cash (running royalties, license fees, license maintenance fees, milestone payments, due diligence fees, sublicense income) and non-cash (equity in a company) consideration received by the University in exchange for the grant of any rights to a third party in the invention owned by the University except for the following:
1. Research support in any form (e.g., from sponsored research agreements or grants)’ tuition income, or any other contract income received by the University, including contract income in lieu of tuition.
 2. Reimbursement by a licensee of the expenses incurred by the University in the patent protection or commercialization of the invention or the value of those expenses that the licensee agrees to assume as part of its agreement with the University.
 3. Equity received by the University as a founder or co-founder of a Company.

IV. RESPONSIBILITIES OF DEPARTMENT CHAIRS, DEANS AND STAFF SUPERVISORS

- A.** Department Chairs and Deans are responsible for ensuring that faculty members who participate in Companies comply with this policy. Department Chairs and Deans are also responsible for ensuring compliance with the University policies and procedures on Conflicts of Interest and Consulting Activities and for reviewing and making recommendations as to the propriety of private business activities reported by their faculty in disclosure forms required by those policies.
- B.** Staff supervisors are responsible for ensuring that employees, including student employees, who wish to participate in Companies comply with this policy. Staff supervisors are also responsible for ensuring compliance with the University policy on Outside Employment and Consulting and for reviewing and making recommendations as to the propriety of private business activities reported by their faculty in disclosure forms required by those policies.

V. DISTRIBUTION OF FINANCIAL RETURNS

The distribution of Financial Returns (as defined herein) to University inventors is subject to the policies and procedures of the University's Policy on Distribution of Royalties, Fees and Other Financial Returns from Inventions Owned by the University.

VI. APPROVAL PROCESS

- A.** Faculty, staff and student employees who wish to participate in a Company should contact the Office of the Vice President for Research.
- B.** The CIC, in concert with the University's Research Compliance Officer, will facilitate the development of a conflict-of-interest management plan.
- C.** The TTOC will be responsible for establishing the business terms of the transaction between the Company and the University. The TTOC will review the sufficiency of business terms and conflict-of-interest management plans relating to Companies. After such review, the TTOC may make a recommendation to the Vice President for Research that the business terms and conflict-of-interest management plan is approved. Written approval from the Vice President for Research must be obtained before any business agreements relating to a Company are finalized.
- D.** Faculty, staff or student employees who wish to participate in a Company should not, as a general rule, participate in the ongoing negotiation of option and licensing terms between a Company and the University. As soon as possible, third parties, such as seasoned company management and/or legal counsel, shall perform this function.
- E.** As a requisite to the granting of any license to University technology, a Company must provide the TTOC with a viable business plan including, at a minimum, the following:
 - 1. The market opportunity and business model to address the opportunity.
 - 2. The value proposition.
 - 3. A capitalization plan demonstrating access to funds necessary for company seed financing and growth.
 - 4. A proposed management team.
 - 5. Milestones for product development and commercialization.
- F.** In recognition of the University's ownership of the technology, a Company, as part of any license agreement entered into with the University, may grant the University equity interest in the Company on terms negotiated by the TTOC.

VII. RESPONSIBILITY FOR UNIVERSITY DUTIES

- A. Faculty members are encouraged to develop discoveries and inventions with commercial potential; however, they must do so with regard to the broader teaching and research mission of the University. Faculty should not allow their interest in a financial opportunity arising out of their research efforts to influence their teaching or advising of students, or to interfere with their relationships with other faculty. In particular, research assignments for students should be based on the student's interests and academic development. Faculty should respect and promote the collegial nature of the academic environment by sharing information and participating in joint research efforts with their colleagues.
- B. While faculty are permitted by the University policy on consulting and this policy to engage in specified private business activities relating to their University positions, they continue to be responsible for the performance of all of their University teaching, research and service obligations. Authorized private business activities that fall within the scope of this policy must be undertaken in accordance with the University policy on consulting and pursuant to formal consulting and conflict-of-interest management agreements between the faculty, the Company and the University and approved by the Vice President for Research.
- C. Staff members and student employees may engage in activities relating to a Company during regularly assigned working hours only if they take approved leave. When activities that fall within the scope of this policy are performed outside regularly assigned working hours, these activities must be undertaken in accordance with the University policy on Outside Employment and Consulting pursuant to a formal conflict-of-interest management agreement between the staff member and the University, and approved by the Vice President for Research.
- D. Staff members may pursue research projects as authorized by their supervisors. Supervisors should authorize only those staff research projects that will advance the mission of the University and the employing unit, without regard to the financial interest of individual employees.

VII. CONFLICT OF INTEREST MANAGEMENT STANDARDS

- A. University facilities, equipment and other resources may be used for purposes benefiting a Company only pursuant to an incubator agreement, a sponsored research agreement, a facilities use agreement, or other appropriate contractual arrangement. The University shall establish rates that will be charged for specified use of University facilities, equipment, and other resources and shall implement a monitoring process to track such uses. Failure of the Company to pay for the use of University facilities, equipment, and other resources or to properly monitor and document such use, shall result in the termination of all access to University facilities, equipment, or other resources by the Company. As a general rule, equity in the Company shall not be accepted as a substitute for the

payment of these charges. In appropriate and special circumstances, however, the University may consider accepting equity for the payment of such charges.

- B. As a general rule, faculty or staff should not hold management positions in Companies. While they may initially find it necessary to play a management role in a newly formed Company, it is expected that their management responsibilities will decrease as the Company develops. Professional management should be brought in at the earliest opportunity. In order to ensure the application of this principle, agreements between the University and a Company should contain enforceable milestones for the reduction of these management responsibilities. Failure to comply with the agreed-upon milestones will result in the Company's inability to engage in sponsored research and to utilize student employees and the other commercialization agreements and/or activities permitted under this policy.
- C. Faculty must not allow their management activities with Companies to consume a disproportionate amount of their professional attention. Faculty engaged in approved private business activities that are unable to perform all of their University responsibilities must reduce those activities or request a reduction of appointment or other approved leave.
- D. Staff members who are unable to perform all of their University duties in connection with Companies must reduce those activities or request a reduction of appointment or other approved leave.
- E. **Graduate and undergraduate students** may use University facilities, equipment and other resources to perform research benefiting a Company only pursuant to a sponsored research agreement or other formal agreement through the University. **Such research may not be used to satisfy the criteria for a thesis or dissertation if the research material is restricted from publication, unless restricted temporarily under the terms and conditions of a sponsored research agreement or restricted under an approved intellectual property non-disclosure agreement. Students must be informed in writing of this restriction prior to the start of their research.**
- F. Students may be employed by a Company, subject to the limitations set forth in Section VIII.G of this policy. Prior to such employment, the student, the faculty or staff member, the chair of the student's department, and a Company representative must sign an agreement disclosing the student's rights and obligations. If the student is a graduate student, the agreement must also be signed by the Dean of Graduate Studies
- G. Faculty will not employ a student in a Company in which a faculty member has an ownership interest if the student is enrolled in a course taught by the faculty member. If the faculty member is a member of the student's thesis or dissertation committee or the student's advisor or the director of the student's thesis or dissertation research, the CIC must approve a management plan for the potential

conflict-of-interest. Failure of the CIC to approve a conflict-of-interest management plan will result in the faculty member not being allowed to employ a student in a Company.

- H. Companies may not enter into any agreements with the University for the purchase, sale, or rental of equipment, supplies, or services other than those explicitly authorized by the TTOC.
- I. As a general rule, faculty and staff members who are not directly involved with research and development of technology licensed to a Company may not hold equity interest in that Company.
- J. University regulatory review boards including, for example, the Institutional Review Board for the Protection of Human Subjects and the Institutional Animal Care and Use Committee, may be utilized for research benefiting a Company only pursuant to approval from the Vice President for Research
- K. As a general rule, an individual faculty or staff member should not hold more than twenty-five percent (25%) of the outstanding equity in a Company. While significant faculty or staff equity ownership may be inherent in a newly formed Company via the issue of Company founder's shares, it is expected that their ownership interests, as a percentage of the total outstanding shares or ownership interests of the Company, will decrease as the Company develops and attracts additional equity funding. In order to ensure the observance of this principle, agreements between the University and the Company should contain enforceable milestones for the dilution of these equity interests. Failure to comply with these agreed upon milestones will result in the Company's inability to engage in sponsored research and to utilize student employees and the other commercialization agreements and/or activities allowed under this policy.
- L. Faculty or staff members may not assume the role of principal investigator in sponsored research projects funded by Companies in which they have a fiduciary interest or an equity interest.
- M. Agreements for sponsored research projects funded by Companies must include, at a minimum, a requirement for full University publications rights and full negotiated a facilities and administrative cost recoveries.
- N. Faculty and staff members participating in a Company approved pursuant to the terms of this policy continue to be bound by the University Patent Policy. New inventions and/or discoveries made as a result of the faculty or staff member's research efforts for the Company, including those made under formal sponsored research and consulting agreements, will be owned by the University, and the Company will be offered an option to the technology on an exclusive basis for a limited time.