

UNIVERSITY OF SOUTH ALABAMA
OFFICE OF TECHNOLOGY DEVELOPMENT
ANNUAL REPORT -- FISCAL YEAR 2001

The Office of Technology Development functions to identify, protect, commercialize and manage inventions made by members of the University of South Alabama community. OTD's mission is *delivering discoveries from concept to commerce*. Its activities in fulfilling this mission expand the research enterprise of the institution, provide assistance to faculty and rewards to inventors, increase opportunities for economic development and return to the public the benefits of university-based research.

OTD handles all phases of the technology transfer process for USA and the South Alabama Medical Science Foundation (SAMSF), including evaluation of the marketability and patentability of invention disclosures, marketing of inventions to potential commercial partners, negotiation of licensing and research agreements for inventions, management of related expenses and revenues, oversight of material transfer agreements, and supervision of the existing patent and license portfolio.

HIGHLIGHTS

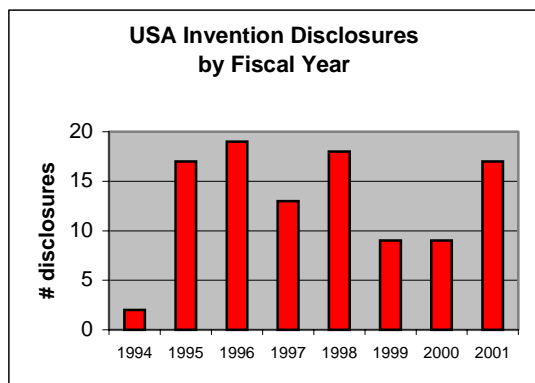
- Website launched to inform USA inventors and market novel technologies to companies (www.usouthal.edu/otd)
- \$86,125 in licensing income to USA & SAMSF
- 71% of patent & legal fees reimbursed by licensing partners
- 2 license/option agreements signed with commercial partners
- 17 invention disclosures received from faculty in the College of Medicine and the College of Engineering
- \$153,100 in research support to further develop inventions
- 7 patents filed and 4 patents issued on inventions
- 16 active licenses to inventions, 5 generating revenues

INVENTION DISCLOSURES

The process of technology development at USA begins with the formal disclosure of an invention to OTD. Awareness about the identification of inventions was raised this year through seminars conducted by OTD for faculty and graduate students in the Colleges of Arts & Sciences, Engineering and Medicine.

Researchers in the Colleges of Engineering and Medicine disclosed 17 inventions. Invention disclosures nearly doubled in FY2001 as compared to the last two fiscal years, indicating a growing awareness of the services provided by OTD as well as an increased interest in the commercial development of basic research results.

The figure below tracks the annual number of invention disclosures from FY1994 to present.



PATENTS

OTD seeks patent protection when both the invention and the market for it are strong enough to warrant such protection. U.S. patent applications typically take two to three years from filing to issue.

In FY2001, seven patent applications were filed on inventions related to wireless circuits, optical devices, and novel medical treatments. Four U.S. patents were issued:

- **US 6,130,207** (D. Dean & W. Zimmer) *Cell-specific molecule and method for importing DNA into a nucleus*
- **US 6,235,891** (R. Honkanen) *Glucocorticoid receptor agonist and decreased PP5*
- **US 6,254,904** (S. Bailey & J. Ayling) *Food and vitamin preparation containing the natural isomer of reduced folates*
- **US 6,274,615** (M. Pappolla) *Method for delaying the onset of Alzheimer's disease*

LICENSE AGREEMENTS

The primary value of patents rests in their ability to protect a product in the marketplace. A patent gives its owner the right to prevent others from making, using and selling the invention without permission.

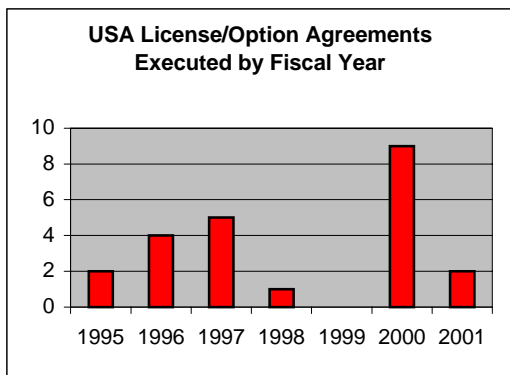
USA seeks commercial partners to develop, market and sell products based on its inventions. Licensing its inventions to businesses helps USA fulfill its responsibility to benefit the public through its research.

Most academic inventions require a significant investment of time and resources by the commercial partner to get a product ready for market. The risks inherent in developing an early stage invention are reflected in the terms and conditions of the license agreement.

There are no firm standards for licensing terms - the structure of each license agreement will depend on the particular invention and its industry.

During FY2001, OTD completed two licenses. Both licensed inventions arose in the College of Medicine and are in the general field of cancer therapy. The chart below tracks the number of license agreements signed each year since 1995.

The decrease in license agreements executed this fiscal year as compared to last is attributed to both the backlog of potential licenses when OTD was established last year, and to the increased complexity of the contracts currently under negotiation. In addition, the marketing efforts required to identify commercial partners for new inventions typically lead to a delay of one to two years between disclosure and license. It is anticipated that the number of licenses will increase in the next fiscal year as OTD's web-based invention marketing tools are fully implemented and as the invention disclosure rate continues to increase.



LICENSING INCOME

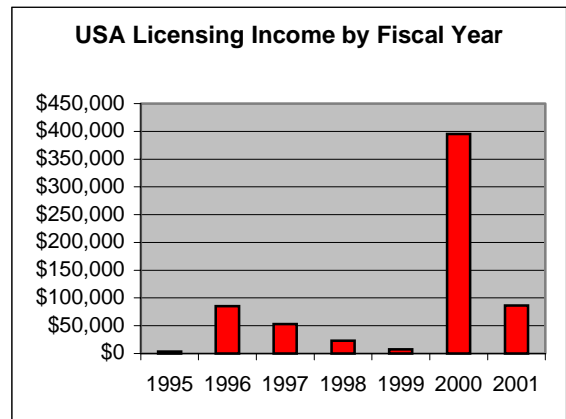
In FY2001, OTD collected income of \$86,125 from licensed inventions. As

products based on USA inventions reach the market over the next several years and begin to yield regular royalties on sales, the current significant fluctuation in licensing income from year to year should be converted into a steady and growing income stream.

The University's technology licensing partners reimbursed 71% of legal fees expended by USA and SAMSF in FY2001. Most universities require their licensees to cover past and future patent expenses as a condition of the grant of rights under a license. OTD is actively pursuing this practice to minimize USA and SAMSF patent expenses.

Income generated by licensing is shared between the inventors and USA or SAMSF after recovery of patenting and licensing expenses. Roughly 70% of FY2001 licensing income reimbursed past legal expenses; the remainder was dedicated to research and shared with inventors, according to current patent policies.

The chart below tracks annual invention licensing income. Cumulative USA and SAMSF licensing income to date is roughly \$650,000.



USA OFFICE OF TECHNOLOGY DEVELOPMENT

FY 2001 SUMMARY STATISTICS

The Office of Technology Development provides new avenues for support of USA's tri-fold mission of research, education and public service. The commercial partnerships established through licensing augment financial resources and expand research opportunities for the University, its faculty, and its students. The transfer of USA technologies to the marketplace benefits the public as novel products become available. Economic development is enhanced as new jobs and/or new companies are created based on USA inventions.

Further details about OTD's overall operations are shown in the summary table below. Objective performance measures are presented for the three most recent fiscal years.

	1999	2000	2001
Gross Licensing Revenue	\$7,178	\$395,186	\$86,125
Licenses/Options Executed	0	9	2
Licenses Generating Revenue	3	7	5
Total Active Licenses	7	12	16
Invention Disclosures	9	9	17
US Patents Filed	11	5	7
US Patents Issued	6	4	4
Start-up Companies Formed	0	3	0
Legal Fees Expended	\$131,031	\$312,363	\$95,955
Legal Fees Reimbursed	\$0	\$170,300	\$68,100
Percent of Expenses Reimbursed	0%	55%	71%
Research Agreements Executed	x	3	1
Research Agreement Revenue	\$152,000	\$111,500	\$153,100
Material Transfer Agreements	x	10	16