



OFFICE OF TECHNOLOGY DEVELOPMENT

ANNUAL REPORT -- FISCAL YEAR 2002

The Office of Technology Development (OTD) actively pursued its mission of *delivering discoveries from concept to commerce* in FY2002. Its operations in this fiscal year generated significant new private research support, expanded assistance to the faculty in both copyright and patent matters, accelerated USA's role in local economic development and moved several significant inventions into the marketplace for public use.

OTD continues to manage all aspects of technology transfer for USA and the South Alabama Medical Science Foundation (SAMSF). OTD this year spearheaded the drafting and approval of a new comprehensive copyright policy for the University community. The office was instrumental in the creation of the USA Research Park in FY2002 and will continue to maintain an active role in the growth of the park as well as in the development of academic relationships with Park Partner companies.

HIGHLIGHTS

- 4 new or renegotiated license/option agreements signed
- \$498,752 in research awards associated with inventions & technologies
- \$89,953 in licensing income to USA & SAMSF generated by 7 of 15 active licenses
- 80% of patent & legal fees reimbursed by licensing partners
- 7 U.S. patents filed / 4 U.S. patents issued
- USA Research Park launched with anchor tenant Mentor Graphics
- 10 invention disclosures received from faculty in the College of Medicine and the College of Arts & Sciences
- New USA Copyright Policy implemented

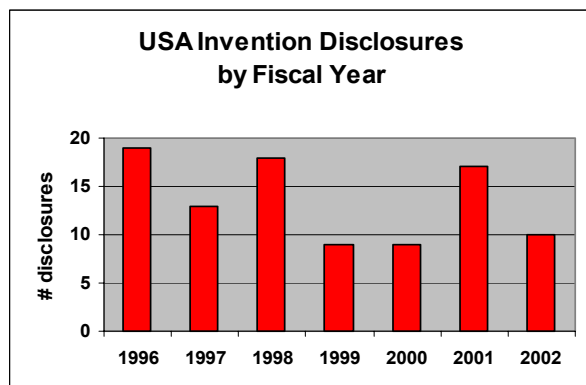
INVENTION DISCLOSURES

Invention disclosures are becoming more sophisticated as faculty and graduate students better understand, through OTD outreach efforts, the necessary steps to make and disclose an invention.

OTD worked to raise awareness about intellectual property and technology transfer issues, including the potential for conflicts of interest, through participation as a co-instructor in GIS501, a new graduate seminar in Research Integrity. Seminars were also presented for graduate students in the College of Medicine.

Researchers in the Colleges of Arts & Sciences and Medicine disclosed 10 inventions in this fiscal year. Ten years of active tracking of nationwide technology transfer activity indicates a benchmark that one invention disclosure can be expected for about every \$2 million in R&D expenditures. Based on USA's FY02 research expenditures of \$18.5 million, it is evident that USA's faculty are generating roughly the expected number of disclosures.

The figure below tracks the annual number of invention disclosures from FY1996 to present.



PATENTS

OTD continued to file provisional patents on most marketable invention disclosures in order to reduce costs while preserving the ability to fully protect the invention later. Identification of viable commercial partners for all patents in the portfolio remains one of the primary activities of the office.

In FY2002, seven patent applications were filed on the ten invention disclosures received. These disclosures related to second generation wireless circuits, novel anti-malarial treatments, new chemicals for industrial reactions and advanced cancer therapy.

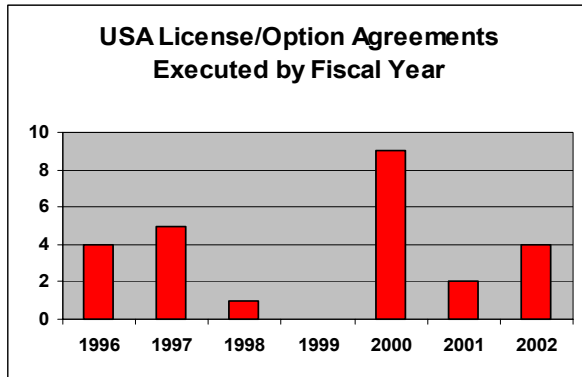
OTD continued to experience steady success in the issuance of patents. For the third fiscal year in a row, four U.S. patents were issued to USA & SAMSF:

- **US 6,335,174** (J. Coggin, J. Rohrer & A. Barsoum) *Oncofetal antigen specific T-lymphocyte mediated immune response*
- **US 6,395,768** (M. Pappolla) *Uses for Indole-3-propionic acids in Alzheimer's disease*
- **US 6,451,360** (S. Bailey & J. Ayling) *Natural folates to treat a subject afflicted with intestinal malabsorption*
- **US 6,429,266** (S. Sikes) *Thermal grafts of polyamides*

LICENSE AGREEMENTS

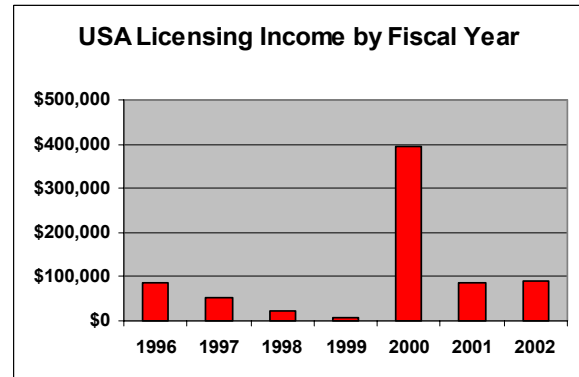
A patent gives its owner the right to prevent others from making, using and selling the invention without permission. USA seeks commercial partners to license its patents and to develop, market and sell products based them. The focus of OTD licensing activity remains primarily on the public benefit and only secondarily on the generation of income.

During FY2002, OTD negotiated two new license agreements and significantly renegotiated two existing agreements to provide better assurances for diligent development of the licensed products as well as a more realistic income stream based upon commercialization success. The chart below tracks the number of license agreements signed each year since FY1996.



available for distribution as net income or held, in the case of stock, on behalf of the university.

The chart below tracks annual licensing income received since FY1996. Cumulative technology licensing income to USA and SAMSF since 1993 exceeds \$765,000.



LICENSING INCOME

In FY2002, OTD collected income of \$89,953 from licensed inventions. This income was generated by a combination of upfront licensing fees, ongoing royalty payments, milestone payments and equity in the form of stock.

The University’s technology licensing partners reimbursed 80% of legal fees expended by USA and SAMSF in FY2002. Roughly one-half of the reimbursement was direct re-payment by the partner for patent expenses; the other half was reimbursed by deduction of outstanding expenses from gross licensing income.

Income generated by licensing is shared between the inventors and USA or SAMSF after recovery of patenting and licensing expenses. Approximately 1/3 of FY2002 licensing income was used to reimburse past legal expenses; the remaining 2/3 was

RESEARCH SUPPORT

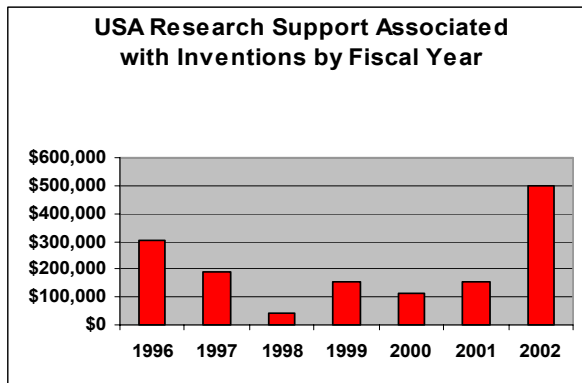
OTD works with researchers not only to commercialize inventions but also to identify and attract research funding to support early stage concepts. Companies are often eager to establish a research relationship with a faculty member in areas of mutual interest.

In FY2002, \$498,752 in industrial support was generated through OTD for faculty research. This amount, the highest ever, is more than three times the level of research support generated last year. As OTD continues to expand industrial relationships through the USA Research Park, it is expected that the level of corporate research support associated with inventions will continue to.

Research relationships with private corporate partners typically provide the sponsor with a first option to license any inventions that may arise in the course of the research project. Sponsorship of the research does not,

however, give the sponsor an automatic right to commercialize any such inventions. A separate license agreement must be negotiated between OTD and the research sponsor to govern the commercialization rights in any inventions. OTD is careful to maintain an arm's length relationship with all research sponsors so that the inventions are handled equitably among all potential licensees.

The chart below tracks annual research support associated with inventions generated since FY1996.



USA RESEARCH PARK

OTD was instrumental in the creation of the USA Research Park, launched in April, 2002, by the USA Board of Trustees. At the same time, USA announced the first anchor tenant for the USA Research Park: Accelerated Technologies, Inc., the embedded software division of Mentor Graphics, Inc.

The USA Research Park provides a unique space in Mobile that links the business community directly with the academic enterprise to expand educational opportunities for students, enhance research options for faculty and support new growth for partner companies.

The USA Research Park will focus the emerging synergy between USA and the technology business community into a single locale for maximum academic and economic benefit. Activity within the USA Research Park will build a strong, sustainable economic future for Mobile and the entire region, and will accelerate the city's transition to a clean air, high wage, and high technology economy.

The USA Research Park will strategically target companies in three primary fields which already drive USA's research base and Mobile's technology economy: (1) software & information technology, (2) engineering & environmental sciences and (3) medicine & biotechnology. Firms must meet the following criteria to become USA Research Park Partners: (1) conduct knowledge-based business, (2) establish an active partnership with at least one USA professor, department, college or research center, and (3) commit to an active participation in USA's intellectual life. Companies who meet these standards and are approved as Park Partners will become full members of the USA community and will share in many of USA's benefits.

In its first phase of development, the USA Research Park will be home mainly to existing technology-based corporations. Later phases of development are expected to support the launch of new start-up companies through incubation or other ventures.

Community and corporate response to the USA Research Park has been overwhelmingly positive. Active partnerships with local governing bodies, the Mobile Area Chamber of Commerce and private enterprise have been significant factors in the early success of the USA Research Park and will continue to be critical for its future growth.

USA OFFICE OF TECHNOLOGY DEVELOPMENT

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 and as the USA Research Park is brought into operation.

Specific details about OTD's overall operations are shown in the summary table below. Objective performance measures are presented for each of the four most recent fiscal years. The cumulative total column reflects all activity since FY1999, except as indicated by an *, where a four year summary is not an accurate measure; those measures instead reflect the most current fiscal year activity.

	1999	2000	2001	2002	CUM TOTAL
Gross Licensing Revenue	\$7,178	\$395,186	\$86,125	\$89,953	\$578,442
Licenses/Options Executed	0	9	2	4	15
Licenses Generating Revenue	3	7	5	7	7*
Total Active Licenses	7	12	16	15	15*
Invention Disclosures	9	9	17	10	45
US Patents Filed	11	5	7	7	30
US Patents Issued	6	4	4	4	18
Start-up Companies Formed	0	3	0	0	3
Legal Fees Expended	\$131,031	\$312,363	\$95,955	\$78,976	\$618,325
Legal Fees Reimbursed	\$0	\$170,300	\$68,100	\$62,878	\$301,278
Percent of Legal Expenses Reimbursed	0%	55%	71%	80%	49%*
Research Agreements Executed	0	3	1	7	11
Research Agreement Income	\$152,000	\$111,500	\$153,100	\$498,752	\$915,352
Material Transfer Agreements	0	10	16	23	49

