



REPORT HIGHLIGHTS
FINANCIAL STATEMENT AUDIT

Subject

Arizona State University acquires intellectual properties from its research activities. Intellectual property is a broad term that encompasses the various intangible products of inventors. These include patents, copyrights, know-how, trade secrets, and other proprietary concepts. Certain intellectual properties generate royalties and other income for the University. Annually, the University issues a Schedule of Intellectual Property Royalties, which describes such income and how the University distributes net income, after legal cost recoveries as required by A.R.S. §15-1647. The University is responsible for preparing the schedule and we, as the auditors, are required to determine whether the schedule presents fairly.

Our Conclusion

The information in the University's schedule is fairly stated in all material respects and the schedule can be relied on.



2002

Year Ended June 30, 2002

Licensing Agreements Result in Royalty Revenues

The Office of Technology Collaborations and Licensing works with inventors (university faculty, staff, and students) and the private sector in marketing inventions, negotiating licenses, and prosecuting patents. Some of the technologies include a cancer cell growth inhibitor compound, ultrasonic path guidance for the visually impaired, and a vacuum-formed prosthetic arm.

The University has many research licensing agreements that currently generate royalty revenue. Arizona Revised Statute §15-1647 requires the University to distribute royalty income as outlined in University policy which is described on the following page. It also requires the University to issue an audited report annually about its intellectual property royalties, related expenses, and distributions.

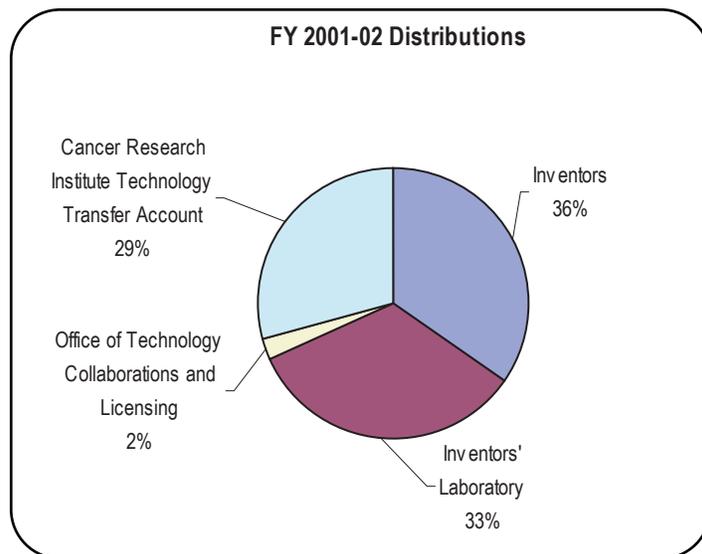
Twenty Licenses Generated
\$1.8 Million in Royalties during fiscal year 2002

Department	Licenses	Royalties
Cancer Research Institute	5	\$1,556,094
Physics	3	49,425
Chemistry and Biology	5	22,954
Engineering	1	65,000
Technology-Based Learning	4	55,945
Other	<u>2</u>	<u>20,924</u>
Totals	<u>20</u>	<u>\$1,770,342</u>

University Distributes Net Royalty Revenue

The University distributes net royalty revenue derived from the licensing of patents and copyrights, as outlined by Arizona Board of Regents policy and University policy. As illustrated in the chart below, inventors, the inventors' laboratory (a university department), and the Cancer Research Institute Technology Transfer Account receive the majority of distributions.

The Office of Technology Collaborations and Licensing receives a small portion of net royalties for administration costs. The University established the Technology Transfer Account to record the distribution of net royalties received from Cancer Research inventions and helps support a competitive grant program.



Competitive Grant Program Supports Additional Research

During fiscal year 2001, the University used the net royalties received for Cancer Research inventions to establish a competitive grant program. The competitive grant program supports research in the bio-medical/bio-technical field. Fiscal year 2002 is the first year that net royalty revenue has been available for distribution. The distribution is comprised of net royalties received less a portion of the Office of Technology Collaborations and Licensing's administration costs.

As of June 30, 2002, a total of \$18,881 was available to the competitive grant program. Proposals for the grant money will be accepted from university faculty to be reviewed by a committee appointed by the Vice President for Research and Economic Affairs. The committee will determine the amount of funding to award to any successful proposal and may divide the available funds among multiple proposals. The committee is not required to make an award if it determines the proposals received do not satisfy the program's purpose.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting our Web site at:
www.auditorgen.state.az.us

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