

U.S. ARMY ARMAMENT, RESEARCH, DEVELOPMENT, & ENGINEERING CENTER



Handling Patent Royalty Income



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Patents are Important because....



- **Patents:**
 - Provide the right to use technology to equip the warfighter
 - A measure of important / successful research
 - A reservoir of value for leveraged partnership formation and technology exchange
 - An income source
- **ARDEC's biggest success:**
 - Over \$2M to date in royalties from international sales of tank ammunition
 - » M831A1
 - » M865
 - » M1028
 - » M1002
 - M831A1 royalties provided seed R&D funds to invent M1028



Army's 10 Greatest Invention of the Year Awards (Picked by Soldiers)



Installation	# FY02	# FY03	# FY04	# FY05	Total
➤ US Army Telemedicine & Advanced Technology Center	0	2	0	0	2
➤ US Army Walter Reed Institute of Research	0	1	0	0	1
➤ TARDEC (Tank Automotive RDEC)	1	1	0	0	2
➤ ARDEC (Armaments RDEC)	2	3	2	4	11
➤ ARL (Army Research Lab)	0	1	3	1	5
➤ CRDEC (Communications RDEC)	1	2	1	2	6
➤ US Army Medical Research and Materiel Command	0	0	2	1	3
➤ AMRDEC (Aviation & Missile RDEC)	0	0	1	1	2
➤ Natick Soldier Center	3	0	1	0	4
➤ Edgewood Chemical & Biological Command	3	0	0	0	3

ARMY Royalty Process



- **Guidance:**
 - 15 USC 3710c Distribution of Royalties Received by Federal Agencies
 - DoDI 5535.8, May 14, 1999, DoD Technology Transfer Program
 - Army Regulation 70-57, February 26, 2004, Military-Civilian Technology Transfer
- Royalties are Centrally Received by Defense Finance & Accounting Service, Rock Island IL
- ORTA Provides Distribution Instructions to DFAS
- Each Inventor Receives \$2,000 For Any License Income That the Army Receives From Licensing a Patent Each Year
- **Twenty Percent** of the Balance of the Army Royalties Is Shared Among the Inventors
 - Limited to \$150,000 Per Year Per Inventor
- The Remainder is Distributed to the Inventing Laboratory

ARDEC Royalty Process



- **Guidance: ARDEC Director's Patent Royalty Income Distribution Policy, March 15, 2001**
- **After payment to inventor(s), the ARDEC Director approves a distribution plan for the Laboratory share, generally following the approach:**
 - 10% Legal Office
 - 20% to the Director (administered by ORTA)
 - 70% to Inventor's Directorate(s), of which at least 50% will be shared with inventor(s) Organizational Team
- **Authorized Uses: IAW 15 USC 3715c**
- **Accounting: ORTA approves release of funds. Receiving organization must maintain separate and distinct accounting of the use of royalty income from each patent license.**

In Summary



- **Patents and Patent Royalties are Important**
- **Army Process Rewards Inventors and Inventing Laboratories**

