

The following sections provide information about the NIH Royalty Program. We believe the information will be useful to the NIH technology transfer community, as well as NIH and non-NIH inventors.

## **NIH ROYALTY PROGRAM**

### **History**

Prior to 1990, the NIH contracted with the National Technology Information Service (NTIS) to collect and classify NIH royalty payments from licensees. On a semiannual basis, NTIS would remit the royalty income to NIH, once they had taken a percentage of the dollars to cover their administrative costs. A decision was made in the early 1990s to discontinue the contractual relationship with NTIS, in part as a cost savings measure. Thus, in the early 1990s, the NIH took over the responsibility of collecting and classifying all royalty payments from licensees. This decision, along with the significant growth and complexities inherent in the Royalty Program, had a dramatic impact on the roles and responsibilities within the NIH.

### **NIH Royalty Policy**

The Technology Transfer Manual, Chapter 311, sets forth policies and procedures for the receipt and distribution of royalties resulting from the licensing of inventions at the NIH. You can review the chapter at , item XII For Staff Access. Click on [Public Health Service \(PHS\) Technology Transfer Manual](#), then Chapter 311. NOTE: You will need Adobe Acrobat Reader to access this information.

### **OFM Roles and Responsibilities**

The OFM roles and responsibilities are:

- Receive daily notification of collections received via lockbox at Mellon Bank and wire transfers from the Federal Reserve Bank in N.Y.
- In conjunction with the OTT, identify and post collections made to applicable licenses.
- In conjunction with the OTT, reconcile collections between the OTT and the OFM
- Calculate liabilities and pay inventors semiannually
- Issue 1099s and 1042s at year-end

## **Frequently Asked Questions**

1. When are royalty payment made to inventors?

**Answer**

Royalty payments to inventors are processed two times in the calendar year. The first payment is made from late May to mid-June. The second payment is made from early to late December.

2. What do the payments represent?

**Answer**

The payments represent the inventor's share of royalty payments from licensees to the NIH during the fiscal year. For example, the first inventor payment is based on money received by the NIH for the period of October 1 through March 31. The second inventor payment is based on money received by the NIH for the period of April 1 through September 30.

3. How are the royalty payments calculated?

**Answer**

Inventors receive the first \$2,000 received from a licensee. Next, they receive 15 percent of royalties received above \$2,000 up to \$50,000. Finally, they receive 25 percent of royalties in excess of the first \$50,000 received each year. Each inventor cannot receive more than \$150,000 in royalty payments for a calendar year.

4. How are the payments made to inventors?

**Answer**

The payments are made by either direct deposit to the inventor's financial institution or by check.

5. Is there a preferred method of inventor payment?

**Answer**

All payments should be made by direct deposit, and inventors are requested to complete the ACH VENDOR/MISCELLANEOUS PAYMENT

ENROLLMENT FORM at <http://ofm.od.nih.gov/forms.asp> and return to OFM Royalty Staff at the address below. In addition, type or hand-write the word INVENTOR next to the heading in the PAYEE/COMPANY INFORMATION section.

OFM Royalty  
National Institutes of Health  
Government Accounting Branch  
2115 East Jefferson Street  
Room 3C-314, MSC 8500  
Bethesda, Maryland 20892-8500

6. How do I identify a deposit in my bank account as a royalty payment?

**Answer**

Royalty payment transactions sent from the NIH to the U.S. Treasury include the words ROYALTY PAYMENT. When the Treasury sends this information to your financial institution, the ROYALTY PAYMENT identification is included with the direct deposit transaction. Most institutions include this information on your monthly account statement. However, some institutions do not interpret or provide the payment description. Others choose not to provide the description. If the deposit identification does not appear on your statement, you should discuss this matter with your financial institution.

7. Are taxes withheld from the royalty payments?

**Answer**

Normally the answer is no.

8. Will I receive a tax statement for royalty payments?

**Answer**

If you receive royalty payments of \$10.00 or more in the calendar year, you will receive Form 1099-MISC Miscellaneous Income. Payments for less than \$10.00 are taxable, but Form 1099-MISC will not be issued.

9. If I received a check, and don't cash it, what happens? Maybe I lost it, or misplaced it in my home.

**Answer**

The U. S. Treasury automatically cancels checks that are not cashed after one year from issuance. When this occurs, funds are returned to the issuing agency. Once returned, the NIH has less than four years to reissue these amounts. See Question 10 if you think you have lost or misplaced a check.

10. Who do I contact when I have questions?

**Answer**

If you have a question about a royalty payment you have received, or a payment you anticipate receiving, contact the OFM Royalty Coordinator at (304) 725-6866, or [GrodzicJ@OD.NIH.GOV](mailto:GrodzicJ@OD.NIH.GOV). Other royalty staff members that may be able to assist are Sandra Waddy, (301) 402-5279, [WaddyS@OD.NIH.GOV](mailto:WaddyS@OD.NIH.GOV).

For questions concerning technology transfer matters inventors may contact their institute Technology Development Coordinator, who has overall responsibility for institute technology transfer. These personnel are available to assist in all phases of the process required to establish Cooperative Research and Development Agreements (CRADAs), Material Transfer Agreements (MTAs) and Employee Invention Report (EIRs). They also serve as the Institutes and Centers (ICs) liaison with the Office of Technology Transfer and the Office of the General Counsel on technology transfer matters. A list of current Technology Development Coordinators can be found at <http://ott.od.nih.gov/tdc.html>.

Questions concerning the status of a specific license agreement or its underlying patents or patent applications may also be obtained by contacting the Office of Technology Transfer. A list of current OTT staff members and their area of responsibility can be found at [http://ott.od.nih.gov/contactus/OTT\\_Staff\\_Directory.html](http://ott.od.nih.gov/contactus/OTT_Staff_Directory.html)

**IMPORTANT MESSAGE TO ALL INVENTORS**

If you move, or change financial institutions, you must notify Johanna Grodzicki or Sandra Waddy of these changes. This is your responsibility. Checks mailed to old addresses are returned to the U. S. Treasury. Direct deposits to an old account number at your previous financial institution are also returned to the U. S. Treasury. This will cause a delay in receiving your royalty payment. If you have new banking information, complete the ACH VENDOR/MISCELLANEOUS PAYMENT ENROLLMENT FORM at <http://ofm.od.nih.gov/forms.asp> and return to Johanna Grodzicki or Sandra Waddy at the address below. In addition, type or hand-write the word INVENTOR next to the heading in the PAYEE/COMPANY INFORMATION section.

OFM Royalty  
National Institutes of Health  
Government Accounting Branch  
2115 East Jefferson Street  
Room 3C-314, MSC 8500  
Bethesda, Maryland 20892-8500

## **MISSING INVENTORS**

The following inventors may be entitled to royalty payments. If your name is included in the list, or if you know someone in the list, please contact the OFM Royalty Coordinator or Staff.

Friz Friedl

Yohei Ito

Ixuo Kimmura

Estate of Thomas L. O'Donohue

Toyoro Osato