

## PATENT INCOME ALLOCATION PROCESS

February 10, 2015

UCSF receives the net patent income after expenses are deducted for payments to joint holders; legal and other direct expenses; mandatory distribution (inventor, research and general fund shares); and IAS administrative expenses are deducted (see financial definition on page 2). UCSF receives the income allocation generated from the OTM portfolio in November and from the much smaller IAS portfolio in February.

Total patent income reported on the campus financial schedule includes (1) Net income to campus from the OTM and IAS portfolios, (2) Research share to campus and (3) Campus core fund share (previous General Fund share) to the campus. [see highlighted]

Net available for distribution is calculated after adjustments for the prior year cost for OTM operations and the research share income is adjusted to net income. Patent income is distributed in March to the control points based on percentage of gross income.

<b>University of California San Francisco</b>	
<b>Patent Income Distribution in 2013-14</b>	
<b>Income from Royalties and Fees</b>	
Earned and Minimum Royalties and Fees	\$ 27,133,234
Non Patent Fees - Copyrights	1,201,129
<b>Total Income</b>	<b>28,334,363</b>
Less payment to Joint Holder	(4,519,602)
<b>Adjusted Gross Income</b>	<b>\$ 23,814,761</b>
<b>Legal and Other Direct Expenses</b>	
Legal and Other Direct Expenses	(4,798,039)
Reimbursement from Licensees	2,783,877
<b>Total Expense</b>	<b>\$ (2,014,162)</b>
<b>Mandatory Distributions</b>	
Inventor Shares	(12,609,103)
Research Shares	(419,094)
CCF share (formerly General Fund share)	(2,182,298)
<b>Total Mandatory Distributions</b>	<b>\$ (15,210,495)</b>
IAS Operational Expenses	(166,197)
<b>Net Income to campus (OTM and IAS)</b>	<b>\$ 6,423,907</b>
Research Share Allocation to UCSF in 2013-14	406,050
OTM Operational Expenses in 2012-13	(2,232,534)
<b>Net Available for Distribution</b>	<b>\$ 4,597,423</b>
<b>Calculation of Income Transfer to the School of Medicine</b>	
<b>Net Available for Distribution</b>	<b>\$ 4,597,423</b>
<b>Medicine's Proportional Share of Income</b>	<b>96.50%</b>
<b>Total Transfer to the School of Medicine</b>	<b>\$ 4,436,709</b>
<b>(% Share x Net Available Income)</b>	

## PROCEDURES

Annually, Budget and Resource Management (BRM) sends reports to control points with details of prior year patent financial activities. BRM prepares the Distribution Summary for each control points based their percentage of gross income and processes the allocations.

## FINANCIAL DEFINITION

Payments to joint holders represent reductions to gross income. These payments are made to other academic and nonprofit institution that jointly own inventions with the University. Inter-institutional agreements define which entity will manage inventions and under what terms. The University pays out a portion of income on those inventions it manages and, alternatively, receives payments from other entities managing technologies in which it has an ownership interest.

Adjusted Gross Income is total income less payment to joint holders.

Inventor shares represent a specific portion of net income accruing to individual inventions. Payments are based on financial activity from the previous fiscal year.

Adjusted Gross Income- 15% for administrative costs- Net Direct Case Expense= Net Income  
Inventors are paid 50% of Net Income.

For all inventions reported on or after October 1, 1997, and where the inventor was hired on or after April 16, 1990, the definition of net income has been changed to exclude the 15% Research share, and inventor shares are 35% of net income. The schedule for distribution of+ income to the inventors is November/ December.

General Fund share is a portion of income paid to the campus core fund (previously University General fund). It is calculated as follows:

Adjusted Gross Income- Net Legal and Other Direct Expenses- Inventor Shares= Net Available  
General Fund share is 25% of the Net Available.